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China Report

ECONOMIC AFFAIRS

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1

6 August 1985

CHINA REPORT ECONOMIC AFFAIRS

CONTENTS

NATIONAL POLICY AND ISSUES

Foreign Investment 'Crucial' for Updating PRC Industry (Wei Yuming; BEIJING REVIEW, No 22, 3 Jun 85).....	1
GUANGMING RIBAO Discusses Studying, Applying Economic Levers (Ma Baio; GUANGMING RIBAO, 29 Jun 85).....	4
PRC Columnist on China's Need for Entrepreneurs (Gao Shi; CHINA DAILY, 5 Jul 85).....	6
Industry, Transportation Show Steady Growth (XINHUA, 13 Jul 85).....	8
Commercializing Urban Infrastructures Advocated (XINHUA, 14 Jul 85).....	10
Briefs	12
Urban Housing Survey	12
Inscription for Food Producers	12

PROVINCIAL AFFAIRS

LIAONING Report on Economic, Social Development (LIAONING RIBAO, 23 Mar 85).....	13
Nei Monggol Financial Department Report Viewed (NEIMENGGU RIBAO, 25 Apr 85).....	16
1984 Accounts, by Li Xinquan	16
Further Report	17
Nei Monggol Planning Commission Report on Industry, Agriculture (NEIMENGGU RIBAO, 25 Apr 85).....	18

Nei Monggol Planning Commission Chairman Views 1985 Goals (NEIMENGGU RIBAO, 25 Apr 85).....	19
Xiang Nan, Others Inspect Eastern Fujian (FUJIAN RIBAO, 20 Jun 85).....	20
Gansu Secretary Tours South China To Gain Experience (Zhang Shusheng; RENMIN RIBAO, 23 Jun 85).....	22
Anhui Commodity Prices Inspection Concluded (Anhui Provincial Service, 25 Jun 85).....	27
Gansu Central Economic Group Completes Investigation (Gansu Provincial Service, 26 Jun 85).....	28
Briefs	
Liaoning Official on Taxes	29
Zhejiang Economic Meeting	29
ECONOMIC DEVELOPMENT ZONES	
Dalian Favorable for More Foreign Investment (XINHUA, 20 Jun 85).....	30
Briefs	
Tianjin Gains Efficiency	32
ECONOMIC PLANNING	
Chongqing's New Mayor Discusses City's Primary Tasks (ZHONGGUO XINWEN SHE, 22 Jun 85).....	33
State Council Policy Encourages Minority Business (XINHUA, 14 Jul 85).....	34
ECONOMIC MANAGEMENT	
Monetary Control Key to Macroeconomic Control (Luo Jingfen; JINGJI GUANLI, No 5, 5 May 85).....	35
Transport, Communication Problems Hampering Development (Olivia Sin; SOUTH CHINA MORNING POST, 3 Jul 85).....	41
Xizang Audit Bureau Investigates Misuse of Funds (Xizang Regional Service, 5 Jul 85).....	44
Beijing To Strengthen Study of New Problems (Ou Qinglin, Shao Quan; XINHUA Domestic Service, 6 Jul 85)..	45
State Economic Commission To Inspect Product Quality (XINHUA, 13 Jul 85).....	47

Briefs		
Henan Key Projects		48
FINANCE AND BANKING		
Third-Step Reform in Substitution of Tax Payment for Profit Delivery		
(Shen Peijun; JINGJIXUE ZHOUBAO, No 20, 19 May 85).....	49	
Importance of Strengthening Macro-Financial Work		
(Zhu Tianshun; JINGJIXUE ZHOUBAO, No 22, 2 Jun 85).....	51	
GUANGMING RIBAO Discusses Origin of Joint-Stock System		
(Wang Ping; GUANGMING RIBAO, 15 Jun 85).....	56	
Yunnan Circular on Scale of Investment in Fixed Assets		
(Yunnan Provincial Service, 26 Jun 85).....	58	
Xizang Audit Bureau Investigates Misuse of Funds		
(Xizang Regional Service, 5 Jul 85).....	59	
Briefs		
Peasant Credit Cooperative Shareholders		60
MINERAL RESOURCES		
Briefs		
Rich Graphite, Zeolite Deposits		61
INDUSTRY		
Steel Firm Keeps Production While Upgrading		
(XINHUA, 30 Jun 85).....	62	
CONSTRUCTION		
Use of Modern Building Materials Benefits Tibet		
(XINHUA, 2 Jul 85).....	64	
Briefs		
Shanghai City Construction		65
DOMESTIC TRADE		
Service Trade Flourishes in Rural Areas		
(XINHUA, 9 Jul 85).....	66	
Henan Hosts 4th Congress of Supply, Marketing Cooperatives		
(Henan Provincial Service, 26 Jun 85).....	67	

Beijing Experiences Copious Watermelon Supply (XINHUA, 11 Jul 85).....	68
Briefs	
Anshan Factory Promotes Sales	69
Liaoning Rural Trade Market	69
FOREIGN TRADE AND INVESTMENT	
Henan To Announce Projects, Foreign Cooperation (XINHUA, 17 Jun 85).....	70
Briefs	
Dalian Tourist Zone Under Construction	72
Jiangsu To Form Trading Company	72
Guangzhou Attracting More Foreign Investment	72
Insurance Business Increased	73
Qingdad Tourist Preparations	73
Bamboo Forest Developed	73
Muslim Development Corporation Founded	74
Increased Foreign Funds in Shanghai	74
SPECIAL ECONOMIC ZONES	
Fujian's Xiamen SEZ To Spend More on Development (XINHUA, 30 Apr 85).....	75
Briefs	
Xiamen SEZ Vocational Education	77
LABOR AND WAGES	
Wage System of Enterprises Should be Gradually Reformed (Huang Jian; SHIJIE JINGJI DAOBAO, 27 May 85).....	78
Xiang Nan Addresses Trade Union Meeting Opening (FUJIAN RIBAO, 30 May 85).....	81
Wan Shaofen, Others Call on Self-Employed Laborers (Jiangxi Provincial Service, 5 Jul 85).....	84
Briefs	
Yun Inscribed Logotype	85
TRANSPORTATION	
Transport Problems Hamper Trades Development (Zhang Songtao; CHINA DAILY, 13 Jun 85).....	86
Sichuan Sets Up Communications, Transport Association (Sichuan Provincial Service; 11 Jul 85).....	88

Briefs		
	Fleet Ships Reviewed	89
	Dalian-Hong Kong Freighter	89
	Xian-Hangzhou Air Route	89
	CAAC Transportation Tasks	89
	Airport Expansion Work	90
	Shanghai CAAC Orders Airbuses	90

PUBLICATIONS

Hao Jianxiu Inscribes for Fashion Magazine		
(Li Anding; XINHUA Domestic Service, 5 Jul 85).....		91

Briefs		
	RENMIN RIBAO Overseas Edition	92

TAIWAN

Sino-Franco Economic Conference Closes in Paris		
(CNA, 20 Jun 85).....		93

HONG KONG MEDIA ON CHINA

Reduced Bank Loans Will Jeopardize Economic Development		
(MING PAO, 10 Jun 85).....		94
Guangdong, Fujian To Have China's First Regional Banks		
(Tan Danhui; WEN WEI PO, 31 May 85).....		96
Xiamen Establishes China's First Joint Venture Bank		
(TA KUNG PAO, 20 Jun 85).....		98

HONG KONG ECONOMIC TRENDS

Hong Kong Economy Heading Toward Stability, Prosperity		
(Zhou Shan; JINGJI GUANLI, No 4, 5 Apr 85).....		100
Ninety Percent of 50 Leading World Banks Operate in Hong Kong		
(TA KUNG PAO, 3 Jun 85).....		105
Closedown of Overseas Trust Bank Ordered		
(WEN WEI PO, 7 Jun 85).....		108
Hong Kong Government Takes Over Overseas Trust Bank		
(WEN WEI PO, 8 Jun 85).....		110

Hong Kong Banking Corporation Takes Over Industrial and
Commercial Bank

(TA KUNG PAO, 12 Jun 85)..... 112

NATIONAL POLICY AND ISSUES

FOREIGN INVESTMENT 'CRUCIAL' FOR UPDATING PRC INDUSTRY

HK120345 Beijing BEIJING REVIEW in English No 22, 3 Jun 85 pp 24-25

[Article by Wei Yuming, vice minister of Foreign Economic Relations and Trade]

[Text] Over the past six years since the adoption of the open policy, China has absorbed from abroad funds amounting to US\$17.2 billion. Of that total, US\$4 billion was in direct investment, and the rest was related to the establishment of 900-odd joint ventures, more than 2,000 cooperative ventures, 31 point development enterprises, 74 foreign-owned enterprises and 1,200 compensation trade projects.

What is worth mentioning is that such investment grew quickly in 1984. Last year alone, more than 700 Chinese-foreign joint ventures were launched in China, representing a 3.5-fold increase in the number of joint ventures and a 2.2-fold increase in the scale of investment over the previous few years.

The investors are now coming from all over the world. The volume of investment coming from the United States, Western Europe and Japan has been growing rapidly. Foreign investment has made its way into more Chinese industries and areas; the number of productive projects is increasing and we are seeing more and more major projects being financed by overseas investors.

A similar trend has emerged in China's introduction of advanced technology from abroad. In the past six years, in addition to the large volume of foreign technology purchased with foreign capital by local authorities and departments, more than 900 technological projects were financed using the state's exchange funds. The total amount of such imports in 1983 doubled the 1982 amount, and 1984 saw the total grow by 50 percent over 1983. This is eloquent proof of the fact that China is succeeding in introducing foreign funds and advanced technology.

All trades and professions in our country are confronting the tough task of technical transformation, and, at the same time, they need new construction projects, which require huge amounts of capital and advanced technology. Though we will rely chiefly on our own abilities, we must, with the assistance of international funds and advanced technology, surmount the difficulties arising from our underdeveloped technology and the lack of capital.

There are many kinds of advanced technology we need to import from other countries. We must purchase both complete sets of equipment and key items to update existing industries and newly emerged industries. Considering our present technical foundation, we should introduce from abroad a great volume of information concerning special technology and machine-building equipment. The methods we are presently using to import technology are diversified and flexible. Primarily, we are importing technology under patent or under technical license. In addition, the forms of co-operative production, hiring consultants and contracting for technical services are also widely used.

Foreign traders needn't worry that China will become a competitive opponent in the international market as it imports technology. China is a developing country, and the nation's technical level is still far behind that of the developed world. The kinds of technology imported by China are those now in common use in Western countries. It will take a fairly long time for us to master and digest such technology. Furthermore, the technological cycle in the industrialized countries is shorter than ever--new technology is outdated almost immediately. So, China has no easy task catching up with the world's advanced levels. In developing China's technology, we should devote ourselves to meeting the material and cultural demands of the people, because, as is known to all, there is a huge domestic market in China. Needless to say, competition is inevitable and technology exports to China will, themselves, encounter competition. But such competition will help the exporting countries push forward their own technical progress. Those who carry out an open policy will be the winners. Aggressive entrepreneurs are skilled at making progress amid severe competition.

There is a great demand in China for foreign capital. Every type of funds have their own advantage, which offers us the chance to select the most suitable type. Judging from our current level of management and our financial situation, we are presently seeking medium- and long-term loans at lower interest rates granted by foreign governments and international financial institutions. And, at the same time, we want to utilize an appropriate portion of export credits and commercial bank loans from abroad.

In the field of international financial co-operation, loans from commercial banks constitute a major form of investment. These commercial loans are generally used by developed countries and some developing countries with relatively advanced industries. With the upgrading of our management level and the increasing strength of our economic position, we plan to use more commercial bank loans and direct investments from other countries. At the same time some advanced technology and managerial experience will be introduced into our country. This will be most conducive to the technical transformation of China's small and medium-sized enterprises.

As far as the scope of investment is concerned, all enterprises, apart from those whose operations involve state security or which might bring in social ills, are allowed to accept direct investment from abroad. According to China's economic strategy, priority in using foreign funds should be given to the following industries and sectors: energy and exploitation of natural resources; transportation; building materials, precision and large machinery; electronic components and devices; agriculture; education; and scientific research.

Foreign capital is mainly used for building productive projects, especially technology-rich projects and projects which will increase exports. We welcome foreign investment in large medium or small projects.

Over the years, we have adopted a series of policies for encouraging investment in China. The rate of income tax plus local surcharges for Chinese-foreign joint ventures is 33 percent, and a longer tax-reduction or tax-exemption period is sometimes granted. This rate is lower than that levied by developed countries and even lower than the rates levied by some developing countries. If the investment is made in a large project in the priority industries or in a low-profit industry, the income tax may be reduced or eliminated altogether, and the period of such preferential treatment may be prolonged. In such cases, equipment and materials imported with foreign investment will also be exempted from customs duties.

Many foreign investors are very concerned about legal protection for their investment and whether they will be able to sell goods to the domestic market. We believe that some of the goods produced in joint ventures and foreign-owned enterprises should be sold in the country where the investment originates. This belief arises from the requirements of balancing payments. Otherwise, the enterprises will be unable to earn foreign funds to pay foreign partners' dividends and foreign staff members' salaries or purchase imported raw materials, spare parts and equipment essential to production. To determine whether imported advanced technology is making Chinese products competitive, it is necessary to put the products on the international market to compete with similar products. In dealing with any problem, we always stick to the principle of "seeking truth from facts, making a concrete analysis of concrete conditions, and dealing with each case on its merits." China is a huge market with a vast capacity for new technology and products. It is our sincere hope that foreign investors will co-operate with us in developing our domestic market. We are able to provide part or all of our market for foreign investors if they offer the technology we need. So, the extent to which our market can be open to Chinese-foreign joint ventures and foreign enterprises in China is closely linked with our demand for the technology they supply and the products they manufacture. In other words, there is no government-set ratio for domestic and overseas sales of products manufactured with foreign investment.

CSO: 4020/279

NATIONAL POLICY AND ISSUES

GUANGMING RIBAO DISCUSSES STUDYING, APPLYING ECONOMIC LEVERS

HK120831 Beijing GUANGMING RIBAO in Chinese 29 Jun 85 p 3

["Economic Forum" by Ma Baio [7456 7516]: "On the Study and Application of Economic Levers"]

[Text] At the seventh national forum on financial theories which has just closed, more than 20 financial theorists jointly put forth a proposal to set up a society for the study of economic levers as an organization to encourage and push the economic theorist circles to initiate the study of economic levers. Their proposal, which won unanimous support by the participants in the forum, is worth attention.

The question concerning economic levers is a theoretical question of great practical importance to the socialist economy, especially to the reform of the economic structure. Whether it concerns the implementation of the policy of lifting restrictions to invigorate the economy in the microeconomic field or the function of regulation and control in the macroeconomic field, all economic levers must be applied in a comprehensive way in light of up-to-date information on economic trends because this is a basis for developing the socialist commodity economy. However, over a long period of time, we have cultivated some static concepts with respect to our understanding of socialism which no longer suit actual circumstances. We have particularly set the practice of the planned economy against the application of the law of value and the development of the commodity economy, we have denied the fact that the socialist economy possesses the attributes of a commodity economy, and we used to force the economic operation with administrative means while ignoring regulation by economic levers. As a result, we never attached due importance to the study of economic levers. In the past few years, the question on economic levers has been drawing more and more attention as the reform of the urban and rural economic structure has been expanded and the discussion on the questions concerning commodity production and the law of value, plans, and the market, and so on has been carried out in depth. The 3d Plenary Session of the 12th CPC Central Committee has summed up both the positive and negative experience in the country's socialist construction, especially the experience obtained in the reform of the urban and rural economic structure in the past few years. The plenary session has clearly defined the socialist economy as a planned commodity economy based on public ownership, proposed the establishment of a planning system under which people conscientiously

apply the law of value, and emphasized that the control and application of the economic levers must be taken as the key link in exercising leadership over the economic work. Under such a circumstance, it is our economic theorists' unshirkable responsibility to actively initiate the study of economic levers and to provide economic departments, with the theoretical basis for the efficient application of economic levers.

We must be aware that economic levers belong to a complicated area of economic studies. In attaching full importance to the role of economic levers, we have to thoroughly study and probe into many theoretical topics, such as the substance and working range of economic levers, the subject and object of economic levers, the relationship between economic levers and economic laws, the relationship between economic levers and the economic structure, the relationship between economic levers and economic planning, the relationship between economic levers and economic information, the functions of economic levers and the conditions for economic levers to play their role, the differences and relations between various economic levers, various economic levers to be applied separately and to work in coordination, economic levers in combination with the administrative, legal and education means, how to practice the system of decisionmaking and administration by levels with respect to economic levers, and so on. Failing to get a clear understanding of all these questions in theoretical terms, we will not be able to use economic levers efficiently and successfully. And by simply applying the knowledge of one or two disciplines of economics, one can never get a solid understanding of all these questions. It calls for pooling the knowledge of many disciplines of economics as well as the support and coordination by the planning, financial, taxation, banking, commodity price, labor and wage, and other economic departments. Therefore, there is a need for the setting up of a coordinating agency to undertake the study of economic levers.

Economic levers are an important part of the socialist economic regulation system and an important means for socialist economic administration. This year, our country is taking up the reform of the pricing and wage systems, the drive to further improve the taxation system, and the reform of the financial and monetary systems. All these important decisions are essential moves to apply economic levers to straightening out economic relations. In a certain sense, whether we can efficiently study and apply economic levers will determine whether the whole reform of the economic structure with the focus placed on cities can be carried out smoothly, whether a new planning system characterized by the integration of unity and flexibility can be successfully established, and whether the national economy can develop in a harmonious way and basically in proportion. So long as our economic theorists act as pioneers in the reform and actively carry out the study of economic levers in a planned and organized way, they will be able to make contributions to creating a new situation in socialist modernization.

CSO: 4006/772

NATIONAL POLICY AND ISSUES

PRC COLUMNIST ON CHINA'S NEED FOR ENTREPRENEURS

HK050515 Beijing CHINA DAILY in English 5 Jul 85 p 4

["It Seems to Me" column by Gao Shi: "Encouragement for Entrepreneurs"]

[Text] A few days ago, XINHUA NEWS AGENCY reported that 20 to 30 Chinese managers would be sent to study management in the General Electronic Company of the United States for a few months. This is an encouraging sign.

The issue of talent constitutes the key to attaining the four modernizations by the end of this century. For a long time, however, when speaking of talent, we meant only scientists and engineers. And it is apparent that there are more majors studying natural sciences abroad than students of management. I think this is a blunder.

Our current understanding of the term of science and technology is a bit too narrow. It should include not only the "hard sciences" like theoretical research and engineering technology but also "soft sciences" like economics and management.

For a long time, "hard sciences" have been emphasized in China to the neglect of "soft" ones. Hence the phenomenon that we have many world-renowned scientists but very few first-rate entrepreneurs.

What China most urgently needs are large numbers of effective managers and entrepreneurs instead of merely scientists and engineers.

Last year, a director of a bread mill in Anhui Province was worried that his products were failing to sell and sought advice from a professor. He was told that in Japan, the bakers add an amino acid--a substance needed by the body--to their bread and that customers like it very much. The director was given directions on producing such bread, and days later it was baked and sold out fast.

There is a great deal of such precious information in colleges and research centres, but too often it lies idle. If it falls into the hands of entrepreneurs, it may become wealth and money.

According to statistics from the Organization for Economic Cooperation and Development, a product generally goes through the various stages from basic research to application study to technical exploitation and then to manufacture. The investment ratio for this process increases ten-fold at every stage. That is to say, entrepreneurs bear much greater responsibilities in capital utilization than scientists.

Scientists create theories that are potentially productive forces, and it is the mission of engineers to convert these theories into practical use. But the products they make are more samples; it is the entrepreneurs who turn the samples into millions of commodities for people to use. The entrepreneurs, so to speak, are more direct producers of wealth and prosperity of the world.

If a tentative idea has been well developed by scientists and engineers, the achievements would be worthless if it were blocked by bad management. So management plays a key role in wealth production.

If a nation does not want to lag behind others in the 21st century, it should make it a strategic task to bring up a generation of advanced and creative entrepreneurs.

Opening to the outside is bringing China into the world economy. A comparison between China and Western countries tells us that most world-renowned Chinese figures are scientists, while many in the developed countries are entrepreneurs. That is one respect in which we lag behind.

To become powerful and prosperous, China urgently needs huge numbers of entrepreneurs armed with modern learning and an international perspective. Their training deserves more of our attention.

CSO: 4020/279

NATIONAL POLICY AND ISSUES

INDUSTRY, TRANSPORTATION SHOW STEADY GROWTH

OW121134 Beijing XINHUA in English 1048 GMT 13 Jul 85

[Text] Beijing, 13 July (XINHUA)--The first half of 1985 witnessed a sustained, stable and coordinated development of China's industry and transportation, with a simultaneous growth in output, profits and state revenues.

This situation was described by Zhao Weichen vice-minister of the State Economic Commission, at a meeting on industry which was held here today.

In the first six months, state quotas for energy production and transportation were overfulfilled, he noted.

During the period, China produced 410 million tons of raw coal, 61.46 million tons of crude oil and 199.1 billion kWh of electricity--representing increases of 11.8 percent, 10.9 percent and 9.1 percent, respectively, as compared with the same period of last year.

From January to June, the gross volume of railway freight was 630 million tons, a rise of 4.9 percent, and that of railway passenger transport nearly 600 million, up 10.3 percent. The volume of cargo handled at seaports went up 15 percent, the turnover of air transport by 54.5 percent and posts and telecommunications transactions, 22 percent.

Of the country's 30 major light industrial products, textiles and electronic goods, 25 showed increases in output, but the quality of some products deteriorated.

In the first six months, the proportion of light and heavy industries maintained a balanced growth, at 51:49.

The total value of social retail sales reached 192.9 billion yuan, an increase of 29.1 percent over the first half of last year. The January-June state revenue rose by 25.9 percent.

The leading economic official attributed the increase to the overall economic restructuring with the reform of the urban economy as the focus, the development in inter-departmental and inter-regional relationships, and the efforts to improve enterprise management and promote technological advances.

However, he said, the rapid growth of industrial production caused strains on transportation, and the supply of raw materials, power and funds.

The vice-minister urged that extra efforts be made to improve economic efficiency and quality of products, increase exports and strictly keep to the state contracts so as to fulfill all state quotas.

CSO: 4020/287

NATIONAL POLICY AND ISSUES

COMMERCIALIZING URBAN INFRASTRUCTURES ADVOCATED

OW141938 Beijing XINHUA in English 1611 GMT 14 Jul 85

[Text] Beijing, 14 July (XINHUA)--Construction of urban infrastructures should be channeled into the orbit of planned commodity economy--this is a view shared by experts attending a five-day national symposium on urban infrastructural economics which closed here today.

Without reliable financial sources, the construction of China's urban infrastructures has for long failed to keep pace with the urban economic and social development, because it was considered as subordinate and non-productive or as social welfare services in nature, they noted.

China's investment in urban infrastructure from 1952 to 1985 accounted for only two percent of the total investment for capital construction, as against about 10 percent in the developed countries.

The country's total industrial output value in 1983 was more than 40 times over 1949, whereas its water supply capacity in the cities rose only five times and the mileage of its roads registered merely a three-fold increase.

During the same 1949-1983 period, Beijing's total industrial output value increased by nearly 250 times, but its water supply was up 16 times and roads 11 times only.

Chu Chuanheng, vice-minister of urban and rural construction and environmental protection, referred to the present serious shortage of the country's urban infrastructural facilities as a restrictive factor in urban development.

Experts suggested that the country should include the infrastructural construction into its state plan, and that reliable channels for funds should be set up and tax for the use of land started to be levied at an early date.

Meanwhile, products for infrastructure and the related services should be provided for society with compensation based on the law of value, so as to increase the sources of funds, improve management and speed up the development of urban infrastructural facilities.

CSO: 4020/287

NATIONAL POLICY AND ISSUES

BRIEFS

URBAN HOUSING SURVEY--Beijing, 1 July (XINHUA)--Almost a million people set out today to conduct China's first comprehensive survey of urban housing. The survey, to be completed by the end of the year, is aimed at discovering the amount, quality, use and ownership of housing in all urban areas. It is being carried out by the Ministry of Urban and Rural Construction and Environmental Protection and the State Statistical Bureau. Preparations began a year ago. The survey will provide planners with reliable data for use in drawing up economic and social development schemes, improving housing conditions and improving housing management, a ministry official said. [Text] [Beijing XINHUA in English 0254 GMT 1 July 85]

INSCRIPTION FOR FOOD PRODUCERS--Beijing, 27 Jun (XINHUA)--Comrade Chen Yun recently received several foodstuffs producers and heard their reports on how they carried out foodstuffs production and research. At their request during the reception, Chen Yun wrote an inscription on a scroll. The inscription said: "The masses regard sufficient food as their heaven. Provide people with nutritious, conveniently prepared and substantial food, and be conducive to the development of the four modernizations program." [Text] [Beijing XINHUA Domestic Service in Chinese 0256 GMT 27 Jun 85]

CSO: 4006/772

PROVINCIAL AFFAIRS

LIAONING REPORT ON ECONOMIC, SOCIAL DEVELOPMENT

SK141357 Shenyang LIAONING RIBAO in Chinese 23 Mar 85 p 2

[Text] On 16 March, Zhu Jiazhen, assistant to the governor and director of the provincial Planning Commission, gave a report on the fulfillment of our province's 1984 plan for national economic and social development and the arrangements for the 1985 plan at the third session of the Sixth Provincial People's Congress for the deputies to examine and discuss.

Zhu Jiazhen said: In 1984, the masses of cadres and people throughout the province conscientiously implemented the strategic measure of "reform, opening, renovation, and development" set forth by the provincial CPC committee and, with the inspiration of party rectification, thoroughly carried out the reform of the economic structure, with the urban economy as the focus. The various major targets of the national economic plan were fulfilled very successfully. The quotas for industrial and agricultural output value and national income, and the output quotas of 40 major products, such as grain, cotton, rolled steel, cement, chemical fertilizer, television sets, and washing machines, as set forth in the "Sixth 5-Year" Plan, were fulfilled 1 or 2 years ahead of schedule. The year 1984 marked the best economic situation in the history of our province. Another bumper harvest was reaped. Grain output reached 28.5 billion jin in 1984, marking the second year of high output in the history of our province. The structure of crops was further readjusted. Total industrial output value was 12 billion yuan, representing a 9.1-percent increase over the previous year, and a record in our history. In industrial production, the starting point was high, a good trend of substantial increase was maintained, and economic results were improved remarkably. Industrial output value was 57.77 billion yuan, an 11.8-percent increase over the previous year, and the largest annual increase since the 3d Plenary Session of the 11th CPC Central Committee. Light industry and heavy industry developed in a coordinated manner, with the output value of the former increasing by 11.6 percent and that of the latter by 11.9 percent, as compared with the previous year. Thanks to intensified energy production and construction in the course of readjustment, the growth of energy production was higher than that of industrial output value. New changes also took place in industrial product mix. More famous-brand and quality consumer goods were produced, the ratio of alloy in the iron and steel industry increased, and the proportion of intensively processed products in the chemical industry also increased. In terms of investment in fixed assets, the progress of local capital construction

projects and technical transformation projects was accelerated while the state key construction projects were expedited. Investment in energy production, communications, cultural and educational undertakings, and scientific research also showed a considerable increase over the previous year. New development was achieved in science, education, culture, public health, sports and tourism, and the urban and rural people's living standards improved continuously.

Regarding the arrangements for this year's plan for economic and social development of our province, Zhu Jiazhen said: In line with the demands of the development of the national economic situation and the characteristics of Liaoning Province, the major tasks for this year are to resolutely carry out the strategic measure of "reform, opening, renovation, and development" with the aim of fulfilling the fighting goal of "going all out for the prosperity of the country, revitalizing Liaoning, serving the whole country, and going to the world," and carry out economic reform with active, steady, and safe measures focusing on invigorating large and medium-sized enterprises and restructuring rural production in order to promote a sustained, steady, and coordinated development of the national economy; to carry out key construction projects and technical transformation of the existing enterprises with the focus on reconstruction and expansion within our capacity; to expedite national economic development on the premise of improving economic results; to further improve the people's living standards on the basis of developing production; and to overfulfill the "Sixth 5-Year" Plan in an all-round manner and provide necessary conditions for economic development during the "Seventh 5-Year" Plan period. In terms of growth rate and economic results, we should strive to overfulfill the quotas of output value and national income on the basis of improved economic results. The industrial and agricultural output value is planned to increase by 7.9 percent over last year. In agricultural production, we should emphasize readjustment of production and crop patterns according to the order of priority of trade, industry, and agriculture; exert great efforts to transform grain while maintaining the grain output of 28 billion jin; develop animal husbandry and aquiculture; actively support the construction of the bases of fruit, special product, and cash crop production and timber forests; vigorously develop township enterprises; and further promote the rural economy toward specialization and modernization. In terms of industrial production, we should put more effort into the following three fields: First, we should exert great efforts to implement the State Council's 10 regulations on expanding the autonomy of enterprises, conscientiously separate government administration from enterprise management, and invigorate large and medium-sized enterprises while opening small ones. Second, we should exert great efforts to develop new products, increase the variety of readily marketable products, improve product quality, and continuously improve management and economic results. Third, we should exert great efforts to economize on the consumption of raw materials, raise labor productivity, and lower production cost. With regard to revenue and expenditure, we should conscientiously maintain a balance between revenue and expenditure, and between credit receipts and payments in order to develop the national economy in a sustained and healthy way. In the investment in fixed assets, the emphasis should be placed on technical transformation, reconstruction, and expansion of the existing enterprises, and on the key projects which have a bearing on the overall situation of the national economy. We should greatly develop tertiary

industry and increase its network, improve quality, clear the circulation channels, and further make urban and rural markets flourish and prosper. We should organize forces from various sources to accelerate technical progress, intensify the absorption and digestion of imported technology, strengthen the research and development of new technology, and more rapidly transform the traditional industries with new technology.

We have many favorable conditions for developing the national economy in 1985, but there are still some problems, such as a shortage of energy and raw materials, strained communications and transportation, poor economic results, and imbalanced relations between the various sectors of the economy. There are also the following problems: The growth of consumption funds is higher than that of industrial and agricultural production; some light industrial and textile products are substandard, high-priced, and not marketable; and the work to withdraw currency from circulation is not sufficiently effective. We are taking measures to cope with these problems.

Zhu Jiazhen concluded: The tasks for our province's economic work are very heavy this year, the reforms of the price and wage systems should be started, and the reforms of the planning, financial, and credit systems should be carried out in depth. In the excellent situation of the overall reform, we should remain clear-headed, achieve a great change in our ideology, thinking, work, methods, and workstyle, fully understand the characteristic that the socialist economy is a planned commodity economy, unify the law of planned and proportionate development and the law of value, win success in both enlivening the economy and strengthening management, and make conscientious arrangements for the province's production, construction, and the people's lives. We should broaden our field of vision; make the best use of the resources of our province, other areas of the country, and foreign countries; actively open up markets in our province, in the country, and in the world; and work out overall plans for the coordinated development of the state, the collective, and the individual sectors of the economy. We should be brave in using loans, foreign capital, and negotiated-priced materials, fully utilize all favorable conditions, do a good job in macroeconomic balance and regulation, exercise effective control over major issues while allowing flexibility on minor ones, and maintain sustained and overall growth in the national economy of our province. We should mobilize and unite the people of various nationalities throughout the province; further emancipate our minds; persistently seek truth from facts; carry forward the spirit of working diligently and in down-to-earth manner, creating the new bravely and exploring ways of advance; and strive to successfully fulfill this year's plan and to comprehensively overfull the various tasks as set forth in the Sixth 5-Year Plan.

CSO: 4006/771

PROVINCIAL AFFAIRS

NEI MONGGOL FINANCIAL DEPARTMENT REPORT VIEWED

1984 Accounts

SK130132 Hohhot NEIMENGGU RIBAO in Chinese 25 Apr 85 p 2

[Report by Li Xinquan, director of the regional financial department, on the 1984 final accounts and the 1985 draft budget, delivered at the third session of the Sixth Regional People's Congress on 24 April]

[Text] On the basis of developing production and raising economic results, regional revenues have seen a stable increase for many years in succession, said Li Xinquan, director of the regional Financial Department, in his report on the "1984 Final Accounts and the 1985 Budget" at the third session of the Sixth Regional People's Congress.

Li Xinquan said: Over the past several years, the region's revenues have always been very good. The 1982 revenues increased by 25 percent over 1981; 1983 revenues increased by 34.3 percent over 1982; and 1984 revenues reached 845.56 million yuan, a 21-percent increase over 1983. As calculated in terms of comparable items, 1984 revenues greatly surpassed the peak of previous years. The good situation in revenues is inseparable from the development of the national economy. In 1984, the total regional agricultural output value increased by 9.8 percent over 1983; the total regional industrial output value increased by 9 percent; and the total volume of retail sales increased by 18.5 percent. In particular, simultaneous increases were recorded in output value, sales volume, and profits of the state-run industrial enterprises covered by the local budget. Such enterprises have a direct and important bearing on revenues. The above-mentioned industrial enterprises (not including forest industrial enterprises) had their output value in 1984 increased by 13.6 percent over 1983; had their sales volume increased by 15 percent; and had their profits increased by 27.7 percent. All of them have provided reliable guarantees for fulfilling the tasks on budget and revenue.

Further Report

SK130147 Hohhot NEIMENGGU RIBAO in Chinese 25 Apr 85 p 2

[Text] In his "Report on the 1984 Final Accounts and the 1985 Draft Budget" delivered to the third session of the Sixth Regional People's Congress, Li Xinquan, director of the regional Financial Department, said: Focusing on increasing economic results and developing the productive forces of society, we should strengthen management, invigorate the economy, open up new financial resources, increase revenue, and create a new way to manage the funds.

Li Xinquan said: We must effect a new change in regional financial work. To this end, we should further foster correct ideas on economic work and policies, and the idea of approaching issues from a long-term point of view. We should give full play to the role of financial departments in reflecting, promoting, restricting, and regulating the national economy. We should overcome the lopsided view of considering the financial work as it stands and should give more considerations to production, management, operation, and ways to vitalize the region.

He pointed out: The major points of financial reform this year are: 1) We should further improve the second step of substituting taxes for profit delivery, properly handle the distribution relations between the state and enterprises, and create conditions for reforms in other fields. 2) We should attend to the reform of the financial system and properly handle distribution relations between the region and various leagues and cities. 3) In line with the degree of the ripening of subjective and objective conditions, we should continue to reform those financial and tax regulations and systems which are unsuitable for the demand of the current situation and which hamper the development of the productive forces. The regional financial departments should also actively support the reforms of the price and wage system, the scientific and technological system, and the educational system which are being carried out this year.

CSO: 4006/772

PROVINCIAL AFFAIRS

NEI MONGGOL PLANNING COMMISSION REPORT ON INDUSTRY, AGRICULTURE

SK121055 Hohhot NEIMENGGU RIBAO in Chinese 25 Apr 85 p 2

[Report on the draft plan for the provincial economic and social development in 1985, delivered by Eerdun, chairman of the regional Planning Commission, at the third session of the Sixth Regional People's Congress on 24 April 1985]

[Text] In his report on the "Draft Plan for the Provincial Economic and Social Development in 1985" delivered at the third session of the Sixth Regional People's Congress, Eerdun, chairman of the regional planning commission, said: In 1984, gratifying achievements were scored in the regional economic and social development, the target for the 1985 regional gross industrial and agricultural output value set by the Sixth 5-Year Plan was overfulfilled 1 year ahead of schedule, and more than a half of the 1985 targets on the output of industrial and agricultural products were overfulfilled ahead of schedule. Of the six agricultural and livestock products covered by the state Sixth 5-Year Plan, not only grain, oil-bearing seeds, and meat had their total output plans overfulfilled ahead of schedule but also was the plan on afforestation. Of the 41 industrial products covered by the state Sixth 5-Year Plan, 24 had their output plans prefulfilled ahead of schedule. These products include electric power, pig iron, timber, cement, glass, chemical fertilizers, internal-combustion engines, paper, detergents, and television sets.

Eerdun said: In 1984, the regional economy witnessed a stable, sustained, and coordinated development. Another agricultural bumper harvest was reaped following bumper harvests for 4 successive years. The industrial production has always maintained a substantial increase since 1982. Output of major industrial and agricultural products topped the peak of the previous year. Simultaneous increases were made in output value, profits, and revenues. The increase in profit and revenue exceeded that in the gross industrial and agricultural output value. On the basis of developing production, living standards of the urban and rural people were improved further.

CSO: 4006/772

PROVINCIAL AFFAIRS

NEI MONGGOL PLANNING COMMISSION CHAIRMAN VIEWS 1985 GOALS

SK121101 Hohhot NEIMENGGU RIBAO in Chinese 25 Apr 85 p 2

[Text] In his report to the third session of the Sixth Regional People's Congress, Eerdun, chairman of the regional Planning Commission, said: In 1985, we should overfulfill all targets set by the Sixth 5-Year Plan, and prepare for the conditions for doubling the industrial and agricultural output value in 1987 and for the economic development during the Seventh 5-Year Plan period. The general goals for the 1985 plan are: The total social product should reach 19.336 billion yuan, a 6.5-percent increase. Of this, the total industrial and agricultural output value should amount to 14.778 billion yuan, a 6.3-percent increase; and the national income should come to 8.72 billion yuan, a 6.1-percent increase.

He said: The first quarter of 1985 has already passed. In this quarter, the provincial economy developed soundly due to the stable, sustained, and coordinated development in 1984. In the first quarter of this year, the industrial production increased by 17.5 percent over the corresponding 1984 period, a record high. Of this, the light industrial production increased by 24.1 percent, and the heavy industrial production increased by 13.6 percent. The financial revenue increased by 7.3 percent. To consolidate and develop this excellent situation and ensure the fulfillment or overfulfillment of the plans for 1985, we should grasp the work of doubling the industrial and agricultural output value by 1987. Meanwhile, we should accelerate the development of communications and transport industries, reform the talented people management system, speed up the development of intellectual resources, and further reform the planning and management systems.

CSO: 4006/772

PROVINCIAL AFFAIRS

XIANG NAN, OTHERS INSPECT EASTERN FUJIAN

OW140138 Fuzhou FUJIAN RIBAO in Chinese 20 Jun 85 p 1

[Excerpts] After inspecting Ningde Prefecture in northeastern Fujian 13-19 June, leading comrades of the Fujian Provincial Party Committee Xiang Nan, Jia Qinglin, and Wen Xiushan pointed out that, to speed up eastern Fujian's economic development and improve the living conditions of the impoverished people in the outlying areas, the masses there should be quickly mobilized to develop their mountain and sea resources. The leading comrades said that people living in mountainous areas should emphasize raising sheep and rabbits, and people living along the coast should develop aquatic production in the shallow sea.

After inspecting Gutian, Pingnan, Zhouning, Fuan, Xiapu, and Ningde Counties, Xiang Nan and other leading comrades of the provincial party committee pointed out that, in the next several years, Ningde Prefecture should focus on promoting the breeding of long-haired rabbits and prawns, which is the most practical way of improving the living conditions of the prefecture's people.

On developing aquatic production, Comrade Xiang Nan said: Aquatic products are most capable of earning foreign exchange today. You have the longest coastline in the province, and numerous gulfs and water areas; and the Dongwuyang, Guanjingyang, and Sanduao are water areas hard to find elsewhere in the country. These places are assets to Ningde Prefecture. The development of aquatic production should be systematically planned and should not proceed at whim. Research, breeding, catching, storing, processing, packaging, and marketing, as well as the training of technicians, should be planned in an all-round way and carried out one by one. We must, however, also pay attention to preserving the natural resources and preventing pollution. No matter what, the ship-demolishing industry should never be allowed in such good places as Dongwuyang and Guanjingyang, which are hard to find elsewhere in the country. We cannot simply pay attention to immediate interests.

Comrade Xiang Nan said: From a long-range viewpoint, Ningde Prefecture should develop its industry in order to stand on its own. Your industrial foundation is weak, and you should now concentrate on developing your energy resources, communications network, and the training of competent personnel. At present, you should continue to encourage people to invest in rural enterprises, make great efforts to develop transport service, and make use of the maritime resources.

Comrade Xiang Nan said: Ningde Prefecture has accomplished a great deal of work over the past several years. Its industrial production has just started, it has established close ties with many places in other parts of the country, and it has achieved significant successes in utilizing its mountain and sea resources. However, eastern Fujian still has a lot to do to achieve vigorous economic growth. The province should, therefore, pay more attention to the development of Ningde and further relax the policies. Comrades of the provincial departments concerned should visit the impoverished areas more often and help those areas solve their practical problems.

CSO: 4006/772

PROVINCIAL AFFAIRS

GANSU SECRETARY TOURS SOUTH CHINA TO GAIN EXPERIENCE

HK011319 Beijing RENMIN RIBAO in Chinese 23 Jun 85 p 2

[Article by reporter Zhang Shusheng [1728 6615 5110]: "Story of Learning From the Experiences of South China"]

[Text] Comparison With Other Provinces

Gansu is now experiencing the best period it has seen in history.

The refrain of "reversing the adverse trend" has resounded in the Gansu Plain, which stretches for 1,000 li, and a good start has been made in growing grass and planting trees. The oases in the Gobi Desert and greenland amidst mountains and valleys are being joined step by step, and the problem of vegetation destruction has been effectively curbed.

The dryland area in central Gansu, which is known as the poorest area in the country, has alleviated the long-standing problem of grain shortages; the five prefectures and cities along the Gansu corridor have attained prosperity of a low standard; the problem of food and clothing of the masses has been solved or is being solved in most of the areas....

The knotty problems of ecology and grain, which confused all the previous provincial CPC committees, have unprecedentedly taken a turn for the better.

Compared with 1982, the year before the establishment of the new provincial CPC committee, the 1984 gross industrial value increased by 21.4 percent and the total industrial and agricultural output value increased by 21.5 percent, showing a yearly average increase of 9.6 and 10 percent, respectively and attaining a simultaneous increase in growth rate, profit, and the amount of taxes and profit delivered for two successive years.

Compared with its past, Gansu's economy has indeed developed and advanced. However, the situation is entirely different if Gansu's economy is compared with that of the neighboring provinces and other parts of the country.

The proportion of Gansu's industrial gross value in the national picture dropped from 1.85 percent in 1978 to 1.34 percent in 1984, dropping from 19th place to 22d place;

Its total output value for agriculture dropped from 1.85 percent to 1.22 percent;

Its gross income in the national picture dropped from 22d place to 25th place, and per capita income dropped from 19th place to 22d place;

Its share dropped from 2.1 percent of the nation's revenue to less than 2 percent; and

The per capita net income of the peasants ranked last in 1978. Even now it still ranks last in the nation.

Figures are dull, but they reflect vivid facts. Gansu's position in the national economy is lowering rather than rising, and the gap is becoming wider.

After making a comparison with other provinces and soberly thinking over the matter, the Gansu Provincial CPC Committee realized that it is confronted with a firm situation and a serious challenge.

Li Ziqi, secretary of the provincial CPC committee, feels the extreme pressure upon him.

Why is it that the economic construction of other provinces has developed so fast? What are their experiences?

The experience of other provinces can help remedy Gansu's defects. Li Ziqi put forward a suggestion to the Standing Committee of the provincial CPC committee on organizing a survey team to visit Sichuan, Hubei, Guangdong, Zhejiang, and Jiangsu to learn from their experiences. With the approval of the central authorities on 20 March 1985, Li Ziqi and Vice Governor Hou Zongbin led a team composed of the responsible comrades of some provincial economic departments and two prefectural CPC committee secretaries and started their journey to the south.

Learn From Others and Recognize the Truth

The first sight in the south was a bit dazzling. The rich plains in west Sichuan and central Hubei, red peaches and green willows, and rape flowers spreading tantalizing fragrance, compared to the chilly weather of the Loess Plateau behind them and the lack of green plants, caused some comrades to sigh: "How can we match such favorable conditions?"

Li Ziqi looked at the matter in a different way. He asked the members of the team to think of one thing: It is true that poor natural conditions have caused immense difficulties to Gansu's economic construction, particularly agricultural production. However, is this the fundamental reason for the slow progress of Gansu's economic development?

Rumination, observation, and again rumination. After conducting firsthand investigations of over 20 counties and cities in the five southern provinces and visiting more than 100 urban and rural enterprises and large numbers of household industries run by peasants, a new understanding replaced old views and the members discovered the reasons for Gansu's backwardness:

Some departments and units neither made any efforts to lead the people to take the road to prosperity nor undertook any practical responsibility for economic work. As a matter of fact, the stress of work was not genuinely shifted onto economic construction.

Everything was done by mechanically copying the instructions and documents issued by the higher levels without the courage to make explorations and adaptations and bring forth new ideas. As a result, many things favorable to the country and people were not properly done and the opportunities slipped past.

As old ideas and methods were followed in judging and selecting gifted people, the people with real ability could not display their talent or take a leading role.

New economic thought was still unfamiliar to Gansu's cadres, including some cadres at the prefectural and county levels.

Like two hammers, the experience of the south and Gansu's current state of affairs struck the members' heartstrings. During the journey, the members gave no thought to the beautiful sights of mountains and rivers in the south, but made use of every opportunity to assimilate the experience they had discovered. They held meetings one after another in the hotels as well as on trains and ships. Telegrams were also sent in succession to the Gansu Provincial CPC Committee and then transmitted to various localities in the province. Li Ziqi, Hou Zongbin, and other comrades of the team drew the following conclusion: Without genuinely shifting the focus of Gansu's work onto economic construction, without effecting a change from a natural economy to commodity production, without changing the secluded and conservative ideas and state of affairs, and without improving the quality of cadres and increasing their knowledge, it will be impossible to speed up Gansu's economic development and Gansu may lag behind others forever.

Come Out of the Narrow Circle

The members of the team realized that the magnificent scene in Zhejiang and Jiangsu was closely related to the vigorous development of town and township enterprises there.

However, Gansu's town and township enterprises have just taken the first step. In 1984, the total output value of Gansu's town and township enterprises was 780 million yuan. Unexpectedly, this was only one-third of the total output value of town and township enterprises in Wuxi, a county of Jiangsu Province.

In fact, Gansu has many favorable conditions for developing town and township enterprises. It has abundant energy and mineral resources. Its raw and semifinished materials industry is relatively developed and it is the country's important nonferrous metal and petrochemical base. It also has large numbers of farm and animal products that can be used. There is also a considerable number of technological personnel in Gansu's institutions of higher learning and scientific research units.

However, for a long time, the cadres and masses in Gansu have been burdened with an insufficient self-supply of grain and have grasped grain and agriculture in a mechanical way. In order to solve the problem of food and clothing, the original plan was that if rice growing was inappropriate, dryland crops should be developed and if dryland crops were inappropriate, other ways should be explored. This was still limited to the narrow circle of agriculture. Leaving aside its abundant natural resources, Gansu held this "golden rice bowl" and led a poor life. In the market, noodles came from Henan, wine from Sichuan, and garments from Jiangsu and Zhejiang. Even preserved vegetables and bean curd came from other provinces.

During the journey, the members discovered time and again how Gansu's raw materials were processed by the small factories or township enterprises of these provinces and how they increased the value of the processed goods. Gansu's natural resources superiority became the industrial superiority of other provinces and, in turn, the products were sold on Gansu's markets.

Such a situation enlightened and impelled the comrades from Gansu. They asked themselves a question: "Both Jiangsu and Zhejiang have favorable conditions for agricultural production, yet they rely on town and township enterprises to become affluent. Why can't we also extricate ourselves from the convention of 'taking grain and agriculture as the key link?'"

Manifestation of Confidence

The survey team returned to Gansu on 28 April.

Gansu's cadres and masses placed great hopes on the provincial CPC committee secretary's southern trip and paid close attention to every step taken by the provincial CPC committee secretary.

After 1 May Labor Day, Li Ziqi explained his personal understanding of the southern survey trip at the provincial scientific and technological work conference.

On 10 May, he reported the findings of the survey to the Standing Committee of the provincial CPC committee and put forward an important seven point proposal for Gansu's economic work.

On 12 May, more than 4,000 people participated in the report meeting to "learn from the experience of other provinces and invigorate Gansu's economy."

From 23 May to 10 June, Li Ziqi rushed to Tianshui, Pingliang, and Dingxi Prefectures to find out about the situation of town and township enterprises, agricultural production, and life of the masses in the disaster areas. Li Ziqi and Hou Zongbin presided over the south Gansu, east Gansu, and Dingxi economic work conferences and formulated a series of policies and measures for speeding up the construction of these areas.

Gansu has a vast territory and its conditions differ in thousands of ways. In learning from the experience of other provinces, it would be inappropriate to impose uniformity on everything. However, there is a question that confronts the party committees at all levels and the broad ranks of cadres. In the report submitted to the provincial CPC committee, Li Ziqi and Hou Zongbin pointed out: "It is necessary to continue to transform the 'rustic' state of affairs characterized by narrow-mindedness, short-sightedness, slowness in accepting new things, and a lack of modern scientific knowledge."

In a speech on Gansu's work delivered in December 1981, Comrade Yaobang pointed out: "The cadres in Gansu have many strong points. They are honest, amiable, and hardworking. They should carry forward these strong points." He continued: "Gansu's cadres also have a shortcoming. To put it in simple language, they are a bit 'rustic.'"

These remarks contain praise and criticism as well as expectations.

To step out of the narrow circle and face the world is a fine method to transform "rusticity." During the journey, the members witnessed the prospering scene of economic construction in the five southern provinces and learned of the experiences in invigorating the economy. The new things which they had never seen or heard before inspired their enthusiasm.

The "southern trip" broadened the outlook of the comrades from Gansu and enhanced their confidence in developing Gansu's work. Immediately after their arrival in Gansu, they raised to the cadres and masses the question of transforming "rusticity," which had been a question in recent years. This is the manifestation of their confidence.

CSO: 4006/772

PROVINCIAL AFFAIRS

ANHUI COMMODITY PRICES INSPECTION CONCLUDED

OW261448 Hefei Anhui Provincial Service in Mandarin 1100 GMT 25 Jun 85

[Excerpt] The Anhui Provincial People's Congress Standing Committee has concluded its inspection of price reform and other related work in the province. On 19 June Wang Guangyu, chairman of the provincial people's congress Standing Committee, presided over a meeting to hear reports by Vice Chairman Zheng Rui and Kang Zhijie; and by (Li Zhixiang), vice chairman of the Finance and Economic Committee under the provincial people's congress Standing Committee, on their inspections. Also hearing the reports were Vice Chairmen Wei Xinyi, Xia Deyi, Zheng Huaizhou. Attending the meeting were responsible comrades of the General Office of the provincial government, the provincial Economic Committee, the provincial Planning Committee, the provincial Commercial Department, the provincial Commodity Price Bureau, the provincial Bureau of Materials and Equipment, the provincial Administration for Industry and Commerce, the provincial Administration of Grain and Edible Oil, and the provincial supply and marketing cooperatives.

The inspection was conducted by three groups separately led by Comrades Zheng Rui, Kang Zhijie and (Li Zhixiang). The inspection lasted from late May to early June. They inspected Hefei, Huainan, and Anqing cities; and Fengtai, Guichi, and Dongzhi counties. They sought to understand price reform for grain, edible oil, and meat in the province, as well as to understand the prices of important means of production such as rolled steel, chemical fertilizers, and motor vehicles, and the burden on peasants and enterprises in urban areas. They also investigated and studied problems emerging in the course of commodity price reform.

Chairman Wang Guangyu spoke at the close of the meeting. He said: In affirming the results of the inspection of commodity price reform, generally speaking Anhui Province's price reform is good; however, we must be sober-minded with regard to problems that have emerged and earnestly find solutions to them. He stressed that it is necessary to strengthen investigations and study, do practical work, and properly carry out reform of the commodity price system and the entire economic structure.

CSO: 4006/738

PROVINCIAL AFFAIRS

GANSU CENTRAL ECONOMIC GROUP COMPLETES INVESTIGATION

HK270323 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 26 Jun 85

[Text] A Gansu economic investigation group composed of persons from central departments concerned has completed its 10-day investigations in the province. On the morning of 26 June, responsible comrades of the provincial CPC committee and government and of departments concerned held a forum in Jiuquan with all members of the group.

Comrades of the Lanzhou subgroup of the investigation group gave their honest views on the current state of development of Lanzhou and on how to bring into further play the role of Lanzhou as a key city in the northwest. Comrades of the Hexi Prefecture subgroup gave a detailed exposition on their investigations. They held: Hexi Prefecture has a relatively good agricultural foundation and its development potentials are great. The prefecture should further develop grain production and also build some oil-bearing crop, sugarbeet, cotton, vegetable, flower, fruit, and other production bases in light of local conditions.

Speaking on local industry and the township enterprises, the comrades of the Hexi subgroup held that although the prefecture has a poor foundation in these sectors, developments have been quite fast in recent years. Urban collective economy and township enterprises will play the role of a breakthrough point in Hexi's future economic development. At present the focus is on developing medium and small enterprises in the foodstuff and building materials industries, mining, chemical industry, transport, and catering and service trades in which there are abundant raw materials, simple equipment is required, and quick results are produced for little investment.

Provincial CPC Committee Secretary Li Ziqi and Vice Governor Hou Zongbin seriously listened to the views and suggestions of the investigation group. They expressed satisfaction with the work of the group.

CSO: 4006/738

PROVINCIAL AFFAIRS

BRIEFS

LIAONING OFFICIAL ON TAXES--The provincial experience-exchange meeting on tax affairs concluded in Yingkou City on 12 July. At the meeting, Comrade (Bai Yucheng), Standing Committee member of the provincial CPC committee and assistant to the provincial governor, delivered a speech in which he urged the tax affairs units to bring into play their supervisory function and the role of the economic lever to ensure the steady increase of state revenues. In the first half of 1985, the province realized more than 3.3 billion yuan in tax revenues, a 24-percent increase over the figure of the corresponding 1984 period. In 1985, our province will try hard to maintain the favorable trend of tax revenues on the basis of having over-fulfilled state assignments over the past 5 consecutive years. (Bai Yucheng) pointed out: At present, a number of enterprises have violated the policy on tax revenues by taking advantage of reforms and have adopted various ways and means to evade taxes. This shows that a newly developing malpractice is taking shape. He urged the tax departments at all levels throughout the province to earnestly carry out inspections in tax evasion. Those who have seriously violated the tax law must be strictly dealt with. [Text] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 12 Jul 85]

ZHEJIANG ECONOMIC MEETING--Experts in various fields gathered at a meeting on the bank of Xizi Hu today to discuss strategies for developing Zhejiang's economy, science, and technology. Governor Xue Ju urged them to freely express their views. What are the strategic guiding principles for developing Zhejiang's economy, science, technology, and education? How should the province's economic structure be arranged? How should its Seventh 5-Year Plan be drawn up? These are the main topics the experts will discuss in detail. Departments concerned have formed some initial ideas about each topic. Experts from Zhejiang's departments of social sciences, natural sciences, and education and leaders of departments concerned have been invited to this meeting to further explore these ideas. At this morning's session Governor Xue Ju said that the purpose the meeting is to conduct strategic studies, discussions, and consultations to determine what road to take and what our target should be in the next 5 to 15 years. He expressed the hope that the experts would freely express their various views and discuss problems in a down-to-earth way. Leaders of the Zhejiang Provincial CPC Committee, the provincial government, the provincial advisory committee, the provincial people's congress, and the provincial CPPCC committee, including Wang Fang, Chen Fawen, Wu Minda, Shen Zulun, Li Dexin, Tie Ying, Cui Jian, Wang Jiayang, and Wu Zhichuan, attended the afternoon session. [Text] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 24 Jun 85]

ECONOMIC DEVELOPMENT ZONES

DALIAN FAVORABLE FOR MORE FOREIGN INVESTMENT

OW201152 Beijing XINHUA in English 1036 GMT 20 Jun 85

[Text] Dalian, June 20 (Xinhua)--Maqiaozi village, which was a sleepy hamlet near Dalian in Liaoning Province only a year ago, is now attracting flocks of overseas entrepreneurs.

One of them, Sakaguchi, Chairman of Japan's Nisshin Refinery Ltd., said that the area was ripe for foreign investment.

He intends to build a big oil refinery in this area, which is to be included in the Dalian economic and technological zone.

After seven months intensive construction, the development zone has prepared a site for 200 new factories each covering 5,000 square meters, according to Liu Taiming, Vice-chairman of the Zone Administrative Committee.

Foreign investors have signed agreements covering 24 joint ventures in the development zone, Liu said in an interview with Xinhua.

He added that 700 overseas business chiefs from 14 countries and regions have visited the development zone since last October when construction began.

Development zone officials are planning 91 schemes involving a total investment of 1.1 billion yuan, including foreign capital worth 160 million U.S. dollars, Liu said.

The schemes include the production of building materials, textiles and electronics, and machine-building industries and service facilities.

He gave as an example a joint venture, the Pacific Aluminum Construction Components Company, set up by a Hong Kong firm and two enterprises from Liaoning. The project, involving an investment of 43 million yuan, will produce aluminum alloy frames and other products.

Wei Fuhai, Mayor of Dalian, said that the city not only offered a favorable environment for overseas investment, but also preferential treatment for joint ventures with Chinese and foreign investment. Co-operative enterprises and firms backed only by foreign capital.

The production enterprises set up in the zone will enjoy exemption and reduction of income tax in their first five profit-making years, according to local regulations.

Local officials said that the Beifang Wusan Company, Xinda Shiye Company and two joint ventures which were under intensive construction would go into operation by the end of the year.

Construction of 29 other projects is scheduled to start in the second half of this year.

CSO: 4020/274

ECONOMIC DEVELOPMENT ZONES

BRIEFS

TIANJIN GAINS EFFICIENCY--Tianjin, June 20 (Xinhua)--The economic and technological development zone of Tianjin is gaining a reputation for efficiency among foreign investors and businessmen. The contract establishing the Sino-Danish Bicycle Company Ltd, a joint-venture between Tianjin and a Danish company, was signed within three months of the initial contract. Another contract, which had been in the discussion stage for two years elsewhere without reaching agreement, was signed in the zone within two days, a foreign businessman commented, "that is efficiency rarely seen in other places." Zhang Zhaoruo, administration director of the zone, rushed back from Hong Kong to meet a Japanese businessman about the possibility of setting up a plastic carpet joint venture in the zone. The two sides signed the contract within a day. The zone administration has issued a new regulation demanding that its staff combat red tape and bureaucratism. [Text] [Beijing XINHUA in English 1511 GMT 20 Jun 85 OW]

CSO: 4020/274

ECONOMIC PLANNING

CHONGQING'S NEW MAYOR DISCUSSES CITY'S PRIMARY TASKS

HK270851 Beijing ZHONGGUO XINWEN SHE in Chinese 1330 GMT 22 Jun 85

[Text] Chongqing, 22 Jun (ZHONGGUO XINWEN SHE)--Xiao Yang [5618 4441], newly appointed mayor of Chongqing told the reporter of this service not long ago that the primary tasks for Chongqing at present are to solve the problems of energy resources, transport and communication, and to improve investment environment by importing large amounts of foreign investment, technical equipment, and advanced managerial methods.

Chongqing is the most important industrial and commercial city in the south-western part of China. It has a population of more than 13 million. The city became the first in the country to carry out experiments in the comprehensive reform of the economic structure in 1983, and has economic managerial power at provincial level.

According to Xiao Yang, Chongqing imported \$180 million in foreign investment in order to transform the existing enterprises, which exceeded the total in the preceding 5 years. In 1985, the imported foreign investment will be approximately \$250 million.

He also said: It is our hope to establish as many joint-ventures as possible. At present, there are only 3 joint-ventures in Chongqing--two of them are hotels, and the other, a car plant. Chongqing is rich in natural resources, and has great deposits of coal, natural gas, and rare metals.

Xiao Yang, aged 55, was elected mayor of Chongqing in early June 1985. He was a student at Qinghua University. He went to study optical materials in the GDR in the early 1950's. Later, he was responsible for work in industry and foreign economic relations and trade in Beijing until late 1983 when he came to Chongqing, and became vice mayor in 1984.

CSO: 4006/738

ECONOMIC PLANNING

STATE COUNCIL POLICY ENCOURAGES MINORITY BUSINESS

OW141424 Beijing XINHUA in English 1318 GMT 14 Jul 85

[Text] Beijing, 14 July (XINHUA)--Less taxes will be levied on business in areas inhabited by minority nationalities, and a special preferential policy has to be adopted to encourage business in such areas.

This is disclosed here today a report to the state council by the ministry of commerce, which has been approved by the state council for circulating to central departments and local governments.

The special policy covers:

--subsidies will be continued to be provided to major industrial and farm and livestock products to compensate for differences in price;

--financial support will be given to enterprises in such areas with inadequate circulating capital;

--low-interest loans will be continued to be provided;

--brand products such as bicycles, sewing machines and wrist watches will be allocated to such areas on a special program and;

--programs will be instituted to train local commercial workers.

The report said that special attention would be given to supply of gold, silver, bronze, zinc, pig iron, cattle hide to such areas.

There are 55 minority nationalities with a population of 55.8 million inhabiting over 60 percent of China's land space.

CSO: 4020/287

ECONOMIC MANAGEMENT

MONETARY CONTROL KEY TO MACROECONOMIC CONTROL

HK031052 Beijing JINGJI GUANLI in Chinese No 5, 5 May 85 pp 4-6

[Article by Luo Jingfen [5012 4737 1164]: "Monetary Control Is the Key to Macroeconomic Control--Also on Financial Reform"--edited by Ding Jiatiao [0002 1367 4383]]

[Text] At present, China's economic situation is excellent. In order to consolidate and develop the excellent situation, we must correctly handle the relations between the macroeconomy and the microeconomy. The more we invigorate the economy, the more necessary it is for us to strengthen macroeconomic control. If the macroeconomy gets out of control, losses will be so great that it will be impossible to remedy the situation simply by invigorating the microeconomy. Moreover, if the macroeconomy gets out of control and we cannot reverse the trend in time, people will misjudge the reform of the economic structure and the good name of the reform will be discredited.

The key to macroeconomic control lies in controlling money supply, ensuring that the aggregate purchasing power of society (that is, total demand backed by the ability to pay) will not exceed or will be equal to the quantity of the means of production and means of consumption available, and preventing money in circulation from exceeding what is required for the development of production and the circulation of commodities. The reason for this is that if money supply exceeds the amount needed for circulation in society, there will be the latent danger of economic instability and inflation.

I

In order to control money supply, we must first of all prevent credit inflation. Our guiding ideology in credit work should be clear-cut. We cannot simply require that each and every loan be granted to "support" economic development and grant the loan whether or not it is truly needed. We must realize that only by issuing just the right amount of money and keeping the economy stable can we effectively support and promote the development of the entire economy. Extending loans can sometimes be an effective support to economic development, but then refusing loan applications from certain units can also be a form of support at times.

In recent years, credit work has played a useful role in supporting economic development. However, there are still problems. The following are some of the main points at issue: first, the issuance of money is governed by credit. In other words, the issuance of money is taken as a means of balancing credit receipts and payments and making up credit balance, and when credits exceed deposits, the People's Bank of China will issue bank notes. The People's Bank lacks the effective means to control and regulate the specialized banks and has not really played its part as the central bank. Second, specialized banks are not required to maintain a balance between deposits and credit funds. In other words, when credits exceed deposits, specialized banks do not have any trouble borrowing from the People's Bank. There is in fact an unlimited supply. Moreover, interest rates are low. The more they borrow from the People's Bank, the more the specialized banks can make in interest income. Third, the specialized banks are very loose concerning granting loans. They vie with each other in extending loans, extend duplicate loans, persuade or force enterprises to apply for loans, do not press for repayment of matured or overdue loans, and take no precautions against bad debts. Fourth, the interest rates on loans to enterprises are too low. Moreover, because interest payments are included in production costs, it hardly affects the earnings of the enterprises. Fifth, according to the method of funds management introduced in 1985, the difference between actual deposits and credits in the previous year is taken as the base figure. This encourages many specialized banks to resort to deception by trying to lift the credit base by lowering the loan requirements and doing a crash job of extending loans.

In order to control the abnormal issuance of money, we must first of all correct our guiding ideology and improve banking work.

First, the power to issue money must be centralized. The increase in money supply should be worked out in accordance with the planned economic growth rate and the predetermined inflation rate (the consumer price index is used in most cases) and should be readjusted in the light of the extension of regulation by market mechanism, increases in cash transactions, and other factors. After this has been approved by the central authorities, the People's Bank of China must strictly implement it and must not exceed this amount. In this connection, the head office of the People's Bank of China must hold itself fully responsible to the state. It must fix the overall scale of credit in conformity with the planned limit for the issuance of money and must not increase the money supply according to the scale of credit. The issuing branches must be independent and must not be subject to the operational branches. Money issued must not be included in the balance sheets as capital income. If the level of monetary issue has to be readjusted during the fiscal year due to major changes in the financial situation, it is necessary to report the matter to the central authorities for examination and approval. The state should formulate its monetary issuance law as quickly as possible.

The calculation of the necessary amount of money in circulation in society is a complicated issue. In judging whether or not the amount of money in circulation is normal, we may in principle apply Marxist monetary theories and formulas. Under China's present conditions, when we calculate the amount of commodities in circulation, we must also take into consideration the turnover of rural fair trade, the turnover of the means of production on a cash basis, and increases in noncommercial expenditure. In international practice,

m1 (cash on hand plus current deposits), m2 (m1 plus fixed deposits), and m3 (m2 plus deposits of credit cooperatives, insurance companies, and other financial institutions outside the banking system) are commonly used. Following the expansion of financial operations, we should also work out these figures in order to observe changes in the money supply at different levels, and should not merely calculate the difference between credit receipts and payments--the amount of money in circulation. In other words, we must not only study money supply and cash circulation but must study the scale of credit and money in circulation.

In order that the People's Bank can control the amount of money in circulation, we must prevent the excessive distribution of the national income in the form of money. Of course, in their material forms, the amount of the national income produced and the amount utilized are invariably balanced and will not give rise to excessive distribution. When there is excessive distribution of the national income in the form of money, if we do not draw on social reserves while trying to balance international receipts and payments, we will only be able to achieve a balance in the national income in material form through the interaction of price hikes and inflation on the one hand and the unrealized purchasing power during that particular year on the other. Thus, if we do not control the scale of the accumulation and consumption funds and do not check the excessive distribution of the national income in money form, we will not be able to keep money supply under control.

Second, specialized banks must, in principle, strive to maintain a balance between deposits and credit funds. When funds are not sufficient to satisfy loan applications, they should strive to solve the problem mainly by attracting more deposits and recalling loans. When necessary, they may seek inter-bank loans and ask other banks to make exceptions in their favor. As a rule, the People's Bank should not extend loans for items not covered by the state plan.

Third, the interest rates on deposits and loans offered by the People's Bank to the specialized banks should be gradually raised from the present level of 3.6 percent and 3.9-4.2 percent respectively to roughly the same level as savings deposit rates. At the same time, the interest rates on credit should also be raised in order to maintain a definite interest-rate differential. Deposit reserves must be made compulsory. The interest rates on this portion of the funds may be kept at the present level and the funds eventually changed to interest-free deposits.

Fourth, all loan applications must be carefully examined and supervised. When extending loans, specialized banks must know well the amount of funds kept by the borrowing unit, the purpose of the loan, and the economic results, financial situation, and repayment ability of that unit. In accordance with the principle of maintaining a balance between deposits and credits, they should decide whether or not to grant the loan within the scope allowed by the credit funds and must not grant whatever is requested. Administrative departments also must not force the banks to grant them loans. If loans are not recoverable, banks are to bear economic liability. If the bank deems it inadvisable to grant the loan but the state plan requires that the loan be granted, the bank should grant the loan only when the department that transmitted the plan and the financial department at the same level promise to jointly provide credit guarantees for the repayment of capital with interest.

Fifth, the discount method must be improved. As special enterprises mainly dealing in money, specialized banks should, in principle, offer a unified interest rate to all borrowing units within the same period of time. In order to encourage certain industries, preferential interest rates are sometimes offered. But losses produced by interest-rate differentials should not be borne by the banks. Instead, financial departments of the government should offer discount rates. Funds for discounts should be deducted from tax payable by the banks. With discount rates, the method of charge first, reimburse later is practiced. In other words, at the time of granting the loan, the bank will first charge interest at ordinary interest rates. When the project for which the loan is sought has achieved the anticipated economic results, interest will be reimbursed according to preferential interest rates. No interest will be reimbursed if the anticipated results cannot be achieved. The state will offer discount rates to those enterprises that yield good social results but do not produce obvious earnings in order that these enterprises can obtain bank loans. Increased interest payments by commercial departments on account of seasonal reserves should be gradually resolved through seasonal price differences. The method of preferential interest rates should not be adopted.

Sixth, the method of differential interest rates should be improved. The level of interest rates should no longer be determined on the basis of the loan applicant and the purpose of the loan (such as intermediate and short-term equipment loans, capital construction loans), and should instead be determined on the basis of the length of the credit period. Because projects of technological transformation normally yield quicker results and bigger gains, require a shorter credit term and promise greater repayment capability than newly built and extension projects, the fixing of interest rates on the basis of the credit term will facilitate technological transformation and the better implementation of the construction policy, which puts the emphasis on the technological transformation of existing enterprises. The state should offer discount rates to key energy and transport projects and similar projects that indeed have difficulty repaying the loans because of higher interest rates and heavier interest burdens; or the problem may be resolved through the setting up of special funds.

Seventh, the method of interest payment should be improved. Interest should no longer be calculated as a cost and should gradually be paid out of the profits of the enterprises. Theoretically speaking, this conforms to the theory that interest forms part of the value of surplus products. In practice, this is conducive to effectively bringing into play the role of interest rates as an economic lever and promoting the economical use of funds by enterprises. After the switch to paying interest out of profits, it is necessary to appropriately readjust the tax burdens of the enterprises.

Eighth, mortgage business should be introduced. Enterprises that are not owned by the whole people, in particular, should be required to produce property as collateral when they apply for loans, and in the event of bad debts, the bank has the right to sell their property in order not to cause any cutbacks in credit funds. The state, on the other hand, should formulate relevant enterprise insolvency laws.

Ninth, a limited capital market should be set up step by step to promote the horizontal flow of funds. Banks should expand their bills operation and actively develop financing. Enterprises may issue bonds to raise funds. But when they issue bonds, they must entrust a bank with acting as their guarantor, and the bank will back up their credit and be responsible for supervision.

II

In addition to credit inflation and excessive loans, the over-issuance of money and inflation are also caused by financial deficits and massive overdrafts. In order to avoid the latter situation, we must study how the two fund allocation systems--banks and financial departments--should reasonably divide their work and play their respective roles.

The bank is the twin sister of the commodity economy. Following the development of the commodity economy, the role and position of the bank in economic life will become more and more prominent. As Lenin said: The bank is the heart of modern economic life; it is the nerve center of the national economic structure. ("Collected Works of Lenin," Vol 25, p 320) "Without big banks, socialism cannot be realized." ("Collected Works of Lenin," Vol 26, p 87)

At present, credit funds and financial funds are mixed in our actual economic activities. The banks are attached to the financial departments. This situation must be changed. Banks should be independent. Financial departments should only levy taxes on banks and should not freely transfer funds away from banks. Banks should pay taxes to financial departments according to regulations and should no longer be required to turn over their profits. They should mainly support financial departments in the form of credit. Financial departments should implement their own functions and powers. Funds for economic construction from financial departments should mainly be used as appropriations that require no compensation and for interest discounts for certain key projects, and should not be used for the setting up of financial organizations and for granting loans. Financial departments may apply to banks for loans, but a ceiling must be fixed. For example, they may apply for loans amounting to a certain percentage of the budgeted income and repay capital with interest on time. Financial deficits should be balanced by opening up sources of tax and issuing bonds and must not be made up by seeking overdrafts from banks. Treasury bonds constitute a kind of liability and should only be used as a remedial measure when financial deficits occur and should not be taken as a regular source of financial income. Investment with repayment ability may be resolved by means of bank loans. Financial departments may show support to those trade that are to be developed with priority by offering discount rates. Investment without repayment ability, such as in infrastructure and in cultural, educational, and public health facilities, are to be resolved by means of financial appropriations. In this way, investment business will mainly be shouldered by banks, and outlays for capital construction by state financial departments can be duly reduced.

At present, there is no effective guarantee that the huge loans granted by banks for investment in the infrastructure can be recovered. This way of doing things merits study. In capitalist countries, investment in the

infrastructure is borne by state financial departments and is not resolved through bank loans. After the projects have been completed, they are either sold or leased to operators. We may draw on their experience in this respect. Investment in the infrastructure should come from funds raised by the financial departments of local governments at different levels. If bank loans must be sought, they should be applied for through the financial departments, which will be responsible for the repayment of capital with interest. Funds for the repayment of capital with interest should come partly from the proceeds from the sale or lease of the infrastructure and partly from financial revenue.

CSO: 4006/746

ECONOMIC MANAGEMENT

TRANSPORT, COMMUNICATION PROBLEMS HAMPERING DEVELOPMENT

HK030541 Hong Kong SOUTH CHINA MORNING POST (Business News Supplement) in
English 3 Jul 85 p 5

[Article by Olivia Sin]

[Text] Zhanjiang officials are eager to improve the city's transportation
and communication links with the outside world.

They admitted that inconvenient transportation has hampered the city's develop-
ment and discouraged foreign investors.

To tackle the issue, the officials have drafted "action plan" to provide a
direct link between Zhanjiang and Hong Kong and are waiting for approval
from higher authorities.

Transportation and communications are two common problems of most Chinese
cities.

But Zhanjiang has come under bitter attack from foreign businessmen, and
particularly oilmen who need an efficient logistics base to assist their work.

Zhanjiang--dubbed as China's would-be Houston--is a designated base for
offshore oil exploration. Eight oil consortia are using the base to facili-
tate their exploration programme.

Its transport and communications links with Hong Kong are appalling.

A Zhanjiang official said there are only four IDD lines between Zhanjiang and
Hong Kong.

Obviously, connecting a call between the two places during peak hours takes
a long time.

The official said there will be 248 new IDD lines before the end of this year.

Besides, he said communications between Zhanjiang and Hainan Island will be
improved in the next few months with the installation of a microwave station.

The Sanya city on Hainan Island is also a logistics base for oil exploration. The microwave station will improve links between the two bases and facilitate drilling operations.

Another problem is the fact there is no direct flight between Zhanjiang and Hong Kong. A direct passenger liner service between the two places only operates three times a month.

A journey from Zhanjiang to Hong Kong can take up to two days depending on the mode of transport.

Foreign businessmen and oilmen usually fly to Guangzhou and then continue their journey to Hong Kong via train, ferry or plane.

But the Zhanjiang-Guangzhou flight is unreliable, according to businessmen.

It is a daily service and can accommodate about 140 passengers a day.

"But very often, it is delayed for hours...and during bad weather it is cancelled," said one businessman.

Another complained about the inadequate seats. "We have to book four or five days ahead to ensure a seat (on the plane)," he said.

"It makes our lives very difficult if our head offices want us to fly to Hong Kong immediately."

Failing to catch the flight, businessmen can try the alternative of driving more than 400 km to Guangzhou on a bumpy and winding road.

A businessman recalled at one time that it took nearly 12 hours to reach Guangzhou in a car. "I left Zhanjiang at 9 am and by the time I arrived at the China Hotel (in Guangzhou) it was 8 pm," he said. He failed to catch a flight to Hong Kong and was stuck there for a night.

According to an aviation official in Zhanjiang, plans are afoot to improve its service.

There will be a twice weekly chartered flight between Zhanjiang and Hong Kong. Travelling time will be cut down to 2 1/2 hours.

Flight service between Zhanjiang and Guangzhou will be increased for eight times a week to 13. An extra 300 seats a week will be provided.

Nevertheless, the official conceded the additional flights are not going to satisfy the demand estimated at 250 passengers a day.

The chartered flight will be run by the tourist bureau of Guangdong and Zhanjiang. The bureaux have submitted their plans to Beijing.

Hand in hand with the more frequent air service is the expansion programme proceeding at Zhanjiang airport.

Beijing has allocated more than 13 million renminbi (about HK\$35 million) to extend the runway of the airport and to install modern navigation equipment.

The project, scheduled to finish by next month, will lengthen the runway to 1,750 metres.

Bigger planes, such as the Boeing 737, will be able to land.

Apart from external transportation, Zhanjiang officials are also striving to improve the domestic link between the city centre and the logistics base, which is separated by a ferry crossing.

The ferry journey in normal days should take only half an hour. But foreign businessmen complain that they have spent more than three hours waiting for the ferry.

Traffic jams on the road leading to the pier and chaos among vehicles waiting for the ferry explain the delay.

Besides, the ferries used to run the service are old and their service is unreliable.

Zhanjiang officials said they will expand the pier to solve the problem.

CSO: 4020/279

ECONOMIC MANAGEMENT

XIZANG AUDIT BUREAU INVESTIGATES MISUSE OF FUNDS

HK080631 Lhasa Xizang Regional Service in Mandarin 1130 GMT 5 Jul 85

[Excerpts] Since its founding in 1983, the regional audit bureau has examined 16 financial enterprises and institutions in the region. Over the period, it has dealt with various problems involving more than 24.8 million yuan of funds. Of this figure, 11.5 million yuan was the amount of funds needed to be delivered to the financial authorities at the upper level, and 200,000 yuan was the amount of taxation needed to be recovered. Therefore, it has played a positive role in strictly enforcing the region's financial laws, correcting accounting errors, and improving economic results.

First, the bureau has corrected accounting errors and strengthened its supervision over financial matters.

Second, the bureau has strictly enforced the financial discipline and protected the interests of the state.

Third, the bureau has rectified malpractices that were developed under the new situation.

Fourth, the bureau has dealt with units and individuals who arbitrarily hiked prices and sought illegal profits.

CSO: 4006/766

ECONOMIC MANAGEMENT

BEIJING TO STRENGTHEN STUDY OF NEW PROBLEMS

OW072058 Beijing XINHUA Domestic Service in Chinese 1441 GMT 6 Jul 85

[By RENMIN RIBAO reporter Ou Qinglin and XINHUA reporter Shao Quan]

[Excerpts] Beijing, 6 Jul (XINHUA)--An investigation and study work conference held by the Beijing Municipal CPC Committee has just ended. The conference analyzed the new circumstances and problems that have arisen from the current drive for construction and reform in the capital. At the conference it was proposed that in the present excellent situation a sober mind be maintained and efforts be made to conduct investigation and study by going deep into the reality, observing things carefully, and thinking in a cool-headed way so as to solve various practical problems prudently and properly and to open up a new situation of the capital's socialist modernization. Du Runsheng, director of the Rural Policy Research Center of the CPC Central Committee's Secretariat, and Liu Guoguang, vice president of the Chinese Academy of Social Sciences, addressed the conference.

After full discussions and consultations, the conference decided on the major projects for investigation and study concerning the capital's construction and reform during this year and the next. Among these are the overall study of the strategy for developing the capital, how to reform and strengthen the party's ideological and political work, how to prevent and correct new unhealthy trends, the question of population in the capital's urban area, the rational production structure compatible with the capital's characteristics, the reasonable adjustment of the capital's educational structure, the science and technology measures to cope with the capital's social and economic development, the policy and measures to open to the outside the market for the capital's means of production, the position of industry in the capital's construction program, and the selection of jobs of various trades. The leaders of the departments concerned will be responsible for organizing special work forces to make serious efforts to complete these projects of investigation and study. Leading comrades of the municipal CPC committee and government are required to take part in the work of important projects.

Speaking at the conference, responsible comrades of the municipal CPC committee Chen Xitong, Jia Chunwang, and Wang Guang emphasized the following: Our leading cadres at all levels must see the new projects and demands that we are required to undertake and meet because of our new situation and tasks. Now

the scope of questions we have to study and solve is broader than ever. Also, they have more content, involve more complicated relationships with other things, and are even harder to solve. Leading cadres at all levels must strive to enhance their understanding of the theories and policies and improve their way of thinking, work methods, and work style. They must go down to the lower levels, make less empty talk, do more practical work, look at the situation in its entirety, and broaden their views. While doing their utmost to solve the urgent problems at present, they must make a serious effort to think, study, and solve those questions which concern the capital's work of construction and reform as a whole.

To promote investigation and study work in the whole municipality, the municipal CPC committee made a special decision to strengthen this work and formed the Beijing Municipal Investigation and Study Leading Group.

The investigation and study work conference opened on 3 July and lasted 4 days. It was attended by some 370 leading cadres at various levels in charge of investigation and study work in the municipality. At the conference some units gave briefings on what they had learned from conducting investigation and study and on the experience they had gained in doing so.

CSO: 4006/772

ECONOMIC MANAGEMENT

STATE ECONOMIC COMMISSION TO INSPECT PRODUCT QUALITY

OW131610 Beijing XINHUA in English 1559 GMT 13 Jul 85

[Text] Beijing, 13 July (XINHUA)--The state economic commission is to form a national quality-inspection network, and tighten regulations on standardization and production licensing, it was announced here today.

Zhu Rongji, vice-minister of the state economic commission, told a meeting here that the moves were aimed at improving the quality of industrial products.

He said a number of factories had gone all out for higher output value and production growth since last autumn, but had ignored the importance of maintaining quality.

This tendency must be ended before it affected the country's economic restructuring efforts.

The commission has sent 11 groups all over China to promote quality inspection. Quarterly surveys of industrial products will be conducted, and their results will be made public in newspapers.

Zhu said the government was planning to set up 100 quality-inspecting centers for various products, in addition to 37 existing ones.

He said: "Any unqualified product will not be allowed to leave the factory."

The factory director will be held responsible if such goods were marketed. Anyone breaking regulations or trying to deceive inspectors will be seriously punished.

Economic legislation was to be strengthened, and national quality-control system established.

The vice-minister urged all businesses to put quality above everything, to perfect their quality management rules and to organize their production in line with standards set by the state.

CSO: 4020/287

ECONOMIC MANAGEMENT

BRIEFS

HENAN KEY PROJECTS--The provincial material supply bureau has reformed the outmoded supply system and introduced the contract system to supply complete sets of basic construction materials for key state and provincial projects, thereby [words indistinct] and simultaneously improving both the social and economic results. The completion of a youth sports ground ahead of schedule is an example. In order to greet the opening of the first national youth games for in Henan in October of this year, Zhengzhou had to build relevant sports facilities. In order to ensure that the national games will be opened on schedule, the province's planning and material supply departments decided to supply complete sets of basic construction materials for the project on a contract basis. This reform speeded up the pace of construction. The project was completed in March of this year after months of work. [Excerpts]
[Zhengzhou Henan Provincial Service in Mandarin 1230 GMT 24 Jun 85]

CSO: 4006/738

FINANCE AND BANKING

THIRD-STEP REFORM IN SUBSTITUTION OF TAX PAYMENT FOR PROFIT DELIVERY

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese No 20, 19 May 85 p 1

[Article by reporter Shen Peijun [3088 1014 6874]: "Director Jin Xin [6855 9515] of the Tax General Bureau of the Ministry of Finance Talks About the Third Step of Reform in Substitution of Tax Payment for Profit Delivery"]

[Text] Shen Xin, director of the Tax General Bureau of the Ministry of Finance recently issued a statement about the reform of the tax system in which he pointed out: The reform of the tax system already in effect must be further perfected. Methods such as levying occupancy tax on fixed assets, changing the income tax rate for state enterprises from a proportional to a progressive tax rate, expanding the scope of tax levies on resources and gradually reducing, to the point of finally abolishing, the regulatory tax for state enterprises should be used to further deal with the relations of distribution between the state and enterprises. This is the third step of reform of substitution of tax payments for profit delivery.

Jin Xin put forth his tentative plan of reform as follows 1) In levying the occupancy tax on fixed assets, consideration should be given to the different levels of profits made by the enterprises. Specific stipulations will be set forth in regard to tax rate designing, the scope of levies and clauses governing reduction and exemption of taxes so as to give the enterprises the capability to bear them; 2) expanding the levy of resource tax; 3) the changing over from a proportional to a progressive tax rate in the income tax for state enterprises; 4) expanding the scope of the levy of the value-added tax from the machine-building industry now being levied to include the textile and electronics industries and further expanding it to include the metallurgical and petrochemical industries; 5) gradually levying income tax for individuals and individual operators; 6) making preparation for levying certain special and regulatory taxes beneficial to macrocontrol and regulating income; 7) gradually abolishing regulatory taxes for state enterprises. After this reform, the tax system will become more of a complete set and tax revenue and other measures will also be incorporated into a complete set.

Jin Xin described the kinds of taxes now under study and about to be levied: the state enterprise wage regulatory tax, the revised bonus tax for state enterprises, the rural household income tax, income tax for individual industrialists and businessmen in cities and townships, excess profit tax

from those who made excess profits in legitimate commercial activities in the commodity circulation links and income tax of individual wage earners in the country.

Jin Xin viewed that to coordinate the reform of the tax system, work should be done in three areas at present: 1) establishing as soon as possible a system of socialist tax collection theory to study the nature of socialist tax collection and the regulatory role of tax collection lever and the trends of tax collection reform in the near future, in the intermediate period and at a specified future date; 2) establishing as soon as possible a tax collection system; 3) establishing as soon as possible a levy management system.

It is imperative to study how to use modernized means to feed the names of hundreds of thousands of taxpayers into the tax levy network. Scientific, strict and systematic methods should be used to deal with tax returns and all other matters relating to tax levy management.

12662

CSO: 4006/706

FINANCE AND BANKING

IMPORTANCE OF STRENGTHENING MACRO-FINANCIAL WORK

Beijing JINGJIXUE ZHOUBAO [ECONOMIC WEEKLY] in Chinese No 22, 2 Jun 85 p 2

[Article by Zhu Tianshun [2612 3944 7311], deputy director of the Head Office of the People's Bank of China and chairman of the board of directors of the Industrial and Commercial Bank of China: "Strengthen Macro-Financial Work"]

[Text] Finance is the hub linking macroeconomy with microeconomy. It guides microeconomy by means of macroeconomy and feeds microeconomy back to macroeconomy. Macro-finance is a fundamental issue in financial work. Micro-finance can only serve the national economy effectively under the guidance and control of macro-finance.

The task of macro-financial work is to guide the national economy to go through a benevolent cycle by means of money, this "wheel of circulation." The objectives of macro-finance and the ways of strengthening macro-financial work generally embrace the following four aspects:

I. Guiding the National Economy in Maintaining the Best Growth Rate

Finance is an important factor impacting the growth of the national economy. It serves as a propeller, stabilizer and regulator of the national economy by increasing or decreasing the supply of currency, raising or dropping the interest rate, moving funds and setting forth loan conditions and other means to guide the national economy in maintaining the best growth rate. The so-called best growth rate means the rate of making the people rich and the country strong with less investment, higher production, faster circulation and stable coordination. It should take the gross national product [GNP] as the principal index. The task of macro-finance is to provide a stable and appropriate currency supply for achieving the best growth rate of the national economy. The volume of currency supply includes paper currency and hard currency in circulation and bank money (the money created by bank deposits).

Western economists have a currency policy called "going against the current economic winds." That means when the growth rate of the national economy drops, the money market should be relaxed and the volume of currency supply increased to guard against an economic recession. However, when the economy rises and excessive expenditures are reported--as in the cases of increasing

speed, expanding capital construction, augmenting personnel and raising wages unrealistically as we described that is beyond the capability of the state, enterprises and the market to bear--we should tighten control of the money market, exercise credit control and reduce the currency supply. When economic departments rush headlong into mass action, financial departments should refrain from rushing headlong in extending loans but must play the role of a stabilizer and brake instead. This currency policy stands to reason, so it seems.

There are two kinds of credit control in general, one is comprehensive credit control, that is, reducing the credit scale and the volume of currency supply in an all-round way; the other kind is selective credit control, that is, controlling the demands for funds by certain enterprises and borrowers who operate unrealistically with poor economic results and tightening credit supply for them. Socialist economy does not have periodical economic crises as experienced by capitalism. In exercising credit control, selective credit control should be carried out more frequently. This is to raise the banks' ability to examine and screen credit items and, based on the supply of funds and economic results, implement the credit policies of determining loans on the basis of marketability (selling well to buyers' satisfaction), newness (advanced technologically), speed (strong loan repayment ability and quick turnover) and superiority (fine quality).

A more important means to guide the best growth of the national economy is to strengthen macro-financial information work. It is imperative to establish step by step the information network, data banks and model banks to look into the quantitative relations between the growth of the national economy and the volume of currency supply. For example, during the late 1970's in the United States, some economists estimated that if GNP dropped 10 percent a year, it would reduce the inflation rate by 1 percent.

II. Exercising Supervision Over Consumption Funds and Channeling and Transforming Policies

The employment problem in the capitalist countries constitutes an important factor impacting finance. As estimated by the same American economists mentioned above, if the United States reduces the employment rate by 1 percent, it will reduce the inflation rate by 0.3 percent. In our country, the labor force is not a commodity. Enlarging the extent of employment through multi-economic forms has been our country's consistent policy. However, if workers are recruited unrealistically, bonuses are issued indiscriminately, wages are hiked without authorization to enlarge consumption funds, it will put excessive money into circulation, enhance pressure on the commodity market and stimulate a rise in prices. Therefore, in dealing with consumption funds, a financial policy calling for supervision, channeling and transformation should be adopted.

Supervision means strengthening the supervisory functions of the socialist state bank and exercising special accounts management to guard against the loss of control. Channeling means supporting the production of more market-

able consumer goods for daily use and also the building of commercialized civilian houses and expanding the savings network so as to speed up the withdrawal of currency from circulation. To this end, we should concentrate our efforts on promoting the use of electronic facilities in financial work, raising the operational efficiency at bank counters, solving the problems in depositing and withdrawing money and gradually introducing the use of credit cards. Transformation means setting up a socialist funds market and, by issuing various kinds of fund-raising stock certificates, transforming some consumption funds into production funds. This way will not only turn people's financial assets into many forms but can also link up the funds' horizontal contacts to gather up more idle capital in society.

Consumption funds are an important component of the funds banks use. In the course of the urban economic structural reform, as a result of the expansion of decisionmaking power, the phenomena of unrealistically enlarging consumption funds and taking over production funds cropped up in a few enterprises, even to the point of showing "false financial receipts, false distributions in enterprises and excessive bank loans." The question of consumption funds, therefore, should be included in the agenda of financial work.

III. Balancing Foreign Exchange Receipts and Expenditures and Stabilizing the Value of RMB

The field of vision of macrofinance cannot be limited to the domestic market alone but must be also expanded to the international market. We must, proceeding from our national conditions, establish an independent domestic market with initiative in our own hand and not unrealistically follow the international market. However, our policy should be opening in two ways, opening to inside as well as to outside, the domestic and international markets should not be completely antagonistic to and sharply separate from each other. In commodity prices, we should maintain a reasonable parity with the international market and strive to stabilize the value of RMB in relation to that of foreign currencies.

The sum total of a country's day-to-day revenue and expenditure items (including revenue and expenditures of commodities and labor services) and capital revenue and expenditures is equal to the net amount of a country's foreign exchange reserve. This is a formula of identical equation. In particular, the sum total of regular revenue and expenditure items and long-term capital revenue and expenditures represents a country's basic revenue and expenditures, it shows a country's ability to handle the international balance of payment. We must master two sets of skills and learn how to utilize the domestic and international markets, the two kinds of resources and the two kinds of capital. First of all we must utilize the domestic financial forces to vigorously develop the export of commodities and labor services so as to improve the capability of the national economy to create foreign exchange; in the meantime, while maintaining an adequate level of the state foreign exchange reserve, we should energetically import foreign capital and advanced technology. Only by managing and using foreign exchange

well in the premise of raising the foreign exchange-creating capability and developing the source of foreign exchange can we maintain a stable RMB value. Furthermore, strong value of a country's currency can also stabilize domestic finance. Some American economists estimate that a rise in the value of the U.S. dollar of 1 percent will reduce the rate of inflation in the United States by 1 percent.

IV. Price Stabilization

Financial stability has a direct bearing on price stability. Stability does not mean a price freeze at a fixed level but prices without significant fluctuation in the process of ongoing rationalization within the price system. Commodity prices represent information about commodities which appraise the quality of the commodities and reflect the marketability and unmarketability of commodities. It is an indicator for enterprises to improve their management and operations and also a guide for the people to arrange their livelihood and choose consumer goods. Since price stability has a bearing on the interests of hundreds and thousands of factories and shops and tens of thousands of households, financial stability is an essential condition for price stability.

Exploring for the best amount of currency supply has been a common task of the financial circles of various countries in the world. Prior to the 3d Plenum of the 11th CPC Central Committee, the criterion for the best amount of currency supply being explored by our country was the value of retail sales possessed by each yuan of currency in circulation (cash), which can be called the method of commodity retail sales velocity. This formula played a certain role at that time because our country was basically on an economy of products in the past, and the commodity economy was very underdeveloped. Since the 3d Plenum of the 11th CPC Central Committee, with the development of the commodity economy, the national economy has gradually increased the amount of currency needed and the urban and rural commodity markets are also accommodating more currency. The method of commodity retail sales velocity can no longer satisfy the needs of development of the socialist commodity economy. We should also consider adopting the revenue velocity method now in force in the Western countries, that is, GNP divided by the total amount of currency. This type of revenue velocity indicates the frequencies of use of each monetary unit in a year in GNP transactions. For example, the 1975 GNP in the United States calculated on the basis of price in that year was \$1.499 trillion and the average amount of currency supply (average daily figure) was \$289.5 billion, the currency revenue velocity came to 5.18 times. The currency mentioned here means currency in a broad sense including cash and bank deposits. We should also study the currency policy of controlling currencies in a broad sense.

Our socialist commodity economy is a planned commodity economy based on public ownership. The transparency and the controllability of the financial market should logically be stronger than the capitalist financial market. Why, then, whenever we exercise financial control are we prone to "strangle to death as soon as the grip is tightened" and "lose control as soon as the

grip is relaxed" and can we not manipulate the control skillfully? This is principally because we have overlooked macro-financial work and failed to realize that while opening up, reforming and invigorating the economy, we must have a clear picture of the objectives of macro-finance and strengthen control over macro-finance. Some comrades thought that macro-finance was the central bank's business and the specialized banks' function was to invigorate micro-finance. This argument is not exactly correct. Specialized banks should also study the question of macro-finance and strengthen macro-financial work. This is not only because any micro-finance is linked with macro-finance but also because the question of micro-finance is associated any specialty. Strengthening macro-finance is a common task in financial work as a whole.

12662

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FINANCE AND BANKING

GUANGMING RIBAO DISCUSSES ORIGIN OF JOINT-STOCK SYSTEM

HK281447 Beijing GUANGMING RIBAO in Chinese 15 Jun 85 p 3

[Article by Wang Ping [3769 1627]: "The Economic Cause of the Joint-Stock System"]

[Text] The joint-stock system is the organizational form of an enterprise that carries out joint production and operation by pooling funds through the issuance of shares on a credit basis. By issuing shares, the joint-stock system brings idle social funds into huge funds or merges large numbers of small enterprises into a large corporation with sound financial strength.

The history of social economic development shows that the joint-stock system not only appeared in capitalist society but also existed and developed in socialist society and could be traced back to the later stage of feudal society. Prior to the establishment of the capitalist mode of production, businesses using stocks appeared in places where the commodity economy was flourishing. For example, the money changers in the Qing dynasty ran business "by adopting the unlimited responsibility system of partnership or exclusive investment. The capital stock was divided into capital-shares and labor-shares. The general accounts were settled every 3 to 4 years and dividends were distributed according to the number of shares." ("A Brief History of China's Currency and Finance," p 144) The (Moskohl) Company founded in 1553 in Britain j. ran business by issuing shares. Although these forms differ greatly from the modern joint-stock system, their purpose of pooling funds and carrying out joint operations is the same. Under the socialist system, the joint-stock system is still an important form for pooling funds and carrying out joint operations. The joint-stock system has developed remarkably in the Soviet Union, Romania, Yugoslavia, and China. Since the joint-stock system goes beyond different social formations, it would be of no significance to seek its origin from the social system itself. In order to scientifically explain the cause of the outcome of the joint-stock system, it is necessary to make an objective analysis of the content of the joint-stock system.

Belonging to the economic category, the joint-stock system has the following two meanings: Viewed from the angle of pooling funds, the joint-stock system is a special credit form; and viewed from the angle of joint operations, it is an organizational form of an enterprise. The characteristic of the joint-stock system is that it combines the credit form with the operation form.

Whether in credit form or organizational form, the joint-stock system is closely related to the development of the commodity economy and has inevitable internal connection with any specific social system. Therefore, the economic origin of the joint-stock system is in the development of the commodity economy.

First, the basis of the outcome of the joint-stock system, namely, the credit form is the outcome of the development of the commodity economy. The joint-stock system is the inevitable outcome of the development of the credit form. Without the development of credit, it would be difficult for the joint-stock system to come into being. As the means for pooling funds, the joint-stock system is in essence a special credit form. As a form of borrowing or lending money, credit is the outcome of the commodity and monetary economy. The function of credit in pooling funds is precisely the basis for the formation of the joint-stock system.

Second, another important part [part?] of the joint-stock system, namely, the enterprise joint operation is also an outcome that suits the internal needs of the development of the commodity economy. Due to scientific and technological progress and the development of the commodity economy, the division of labor in society has become more elaborate. Thus, it objectively calls for carrying out extensive coordination among specialized departments. With the improvement of such coordination, the joint efforts made by various enterprises to carry out production and management will become an inevitable trend. Owing to its own characteristics, the joint-stock company becomes the main form of joint operations.

Third, the joint-stock system is established according to the principle of the commodity economy. Exchange at equal value is the basic law of the commodity economy. According to the joint-stock system, an investor makes investment in an enterprise and obtains certificates of ownership, that is, shares. With these shares, he retains ownership, the partial right of operation and management, and the right of distribution of income from the enterprise. It is thus obvious that the establishment of a joint-stock company by issuing shares is a special form of exchange at equal value carried out on a voluntary and equal basis.

We can see from the above analysis that the joint-stock system belongs to the economic category and is closely linked with the commodity economy. The development of the commodity economy is the economic root which produces the joint-stock system and the outcome of the joint-stock system has no inevitable connection with any specific social system. It can develop at a high speed and become perfect under capitalist conditions because the capitalist economy is the highest form of the commodity economy. It is precisely the existence and development of the commodity economy that provide the objective economic basis for the existence and development of the joint-stock system that goes beyond different social formations.

CSO: 4006/746

FINANCE AND BANKING

YUNNAN CIRCULAR ON SCALE OF INVESTMENT IN FIXED ASSETS

HK271237 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 26 Jun 85

[Text] The provincial government recently issued a circular, demanding that all places and departments seriously implement the circular of the State Council and strictly control the scale of investment in fixed assets.

Taking into account the situation in our province, the circular puts forward three supplementary regulations:

1. All places and departments must seriously inspect the situation regarding investment in capital construction this year and must do well in comprehensive management and balance. The scale of investment specified by the provincial authorities must not be exceeded. No place or department has the power to approve enlarging the scale of investment.
2. It is necessary to control the scale of capital construction in which investment is privately raised. The scale of capital construction in which investment is self-raised and which exceeds the quota specified by the provincial authorities, must be reported to the provincial planning committee for approval. Construction banks at all levels must strengthen supervision and management and have the power to refuse to appropriate funds.
3. It is essential to strictly control projects which are arranged with local reserve financial resources in accordance with the original specifications of the State Planning Commission or which are arranged with enterprise funds which are beyond the enterprise's budget and which are not included in the scale of investment. The scope of the project cannot be enlarged at will. All places and departments must report at a specified period the situation in arranging investment in these projects.

The circular also demands: Every quarter all places and departments must check the scale of investment in fixed assets and must report the results to the provincial government.

CSO: 4006/738

FINANCE AND BANKING

XIZANG AUDIT BUREAU INVESTIGATES MISUSE OF FUNDS

HK080631 Lhasa Xizang Regional Service in Mandarin 1130 GMT 5 Jul 85

[Excerpts] Since its founding in 1983, the regional audit bureau has examined 16 financial enterprises and institutions in the region. Over the period, it has dealt with various problems involving more than 24.8 million yuan of funds. Of this figure, 11.55 million yuan was the amount of funds needed to be delivered to the financial authorities at the upper level, and 200,000 yuan was the amount of taxation needed to be recovered. Therefore, it has played a positive role in strictly enforcing the region's financial laws, correcting accounting errors, and improving economic results.

First, the bureau has corrected accounting errors and strengthened its supervision over financial matters.

Second, the bureau has strictly enforced the financial discipline and protected the interests of the state.

Third, the bureau has rectified malpractices that were developed under the new situation.

Fourth, the bureau has dealt with units and individuals who arbitrarily hiked prices and sought illegal profits.

CSO: 4006/766

FINANCE AND BANKING

BRIEFS

PEASANT CREDIT COOPERATIVE SHAREHOLDERS--Beijing, 5 May (XINHUA)--The number of peasants buying shares in credit cooperatives has increased rapidly since reform of the credit cooperative system began. Peasants' shares in 1984 increased by more than 200 million yuan over 1983. Peasant households, who had become shareholders of credit cooperatives, accounted for more than 80 percent of the total peasant households in China. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0032 GMT 5 May 85]

CSO: 4006/746

MINERAL RESOURCES

BRIEFS

RICH GRAPHITE, ZEOLITE DEPOSITS--A geological brigade in Hainan has found rich deposits of zeolite and graphite in the suburb of Haikou. These deposits containing a chabazite are the first found in the nation. The graphite and zeolite deposits discovered in Jinniuling in Hainan are large in quantity, close to the surface and of high quality. Preliminary investigation has put zeolite reserves at 30 million tons with potential reserves at over 300 million tons and graphite reserves at 1.6 million tons with potential reserves at 15 million tons. Graphite can be used for molding, casting and founding and as raw material for making ceramics and as paste and regulating agent for making graphite crucibles. It can also be used as raw material for making high quality drilling mud for petroleum drilling. Zeolite is mostly used for making industrial discolorants and bleaches. It is also learned that the geological brigade in Hainan has found in Ewenling in Ledong County the first crystalline graphite deposits on the island. Preliminary investigation has put the reserves at close to 5 million tons, the average regular grade of carbon at 3.69 percent and the rate of recovery at over 90 percent. [Text]
[Guangzhou GUANGZHOU RIBAO in Chinese 8 Jun 85 p 2] 9621

CSO: 4006/712

INDUSTRY

STEEL FIRM KEEPS PRODUCTION WHILE UPGRADING

OW300739 Beijing XINHUA in English 0634 GMT 30 Jun 85

[Text] Shenyang, June 30 (XINHUA)--China's biggest metallurgical enterprise, the Anshan Iron and Steel Company, is upgrading its facilities without any interruption in the flow of steel products.

This phenomenon is common in Liaoning Province, one of China's major heavy industrial centers, where the majority of old enterprises are undergoing technical transformation, Provincial Governor Quan Shuren told XINHUA.

The biggest overhaul project in the province is going on at the company's No 3 Steel Mill. While the furnaces at both ends of the major workshop are still in operation, the furnace in the central part is being renovated, with people working on a dozen levels from the bottom to the top.

As for water, steam, gas and oxygen pipes, workers overhaul them in idle time or during repair of the furnaces. About 100 pipes and cables have been renovated in the mill without stopping production even for a minute, the manager said.

When there is a possible conflict between technical transformation and production, the planning department, repair and production units cooperate to avoid suspending production.

For example, the construction of two slug discharge channels in the No 3 Steel Mill threatened to cut the production lines of the ingot casting workshop for 25 days. With coordination of the different units, they changed the transport route and other production processes to make room for the retooling work.

The metallurgical complex, which was built in 1936, has completed 106 projects of technical transformation in the past five years. Meanwhile, it has fulfilled or overfulfilled production quotas set by the state every year.

As a result, its steel production capacity grew from 6.96 million tons in 1980 to 7.3 million tons this year, low alloy steel from 900,000 tons to two million tons, and quality products from one percent to 55 percent.

More varieties of products, better quality and reduction of costs yield 61.76 million yuan of profits for the company each year, officials said.

When visiting the Anshan Iron and Steel Company last September, Premier Zhao Ziyang held up its method of renovation as a model for other aging enterprises in the country.

Liaoning Province was built into a heavy industrial center in the early 1950s. It has 17,000 enterprises with fully fledged metallurgical, machine-building, coal mining, petrochemical and building materials industries.

But, the out-of-date equipment plus old technology result in outmoded products.

To overcome this problem, the province earmarked 10 billion yuan for technical transformation of existing enterprises in the 1981-1985 period, when 13,000 renovation projects were scheduled.

CSO: 4020/279

CONSTRUCTION

USE OF MODERN BUILDING MATERIALS BENEFITS TIBET

OW021411 Beijing XINHUA in English 1207 GMT 2 Jul 85

[Text] Lhasa, 2 July (XINHUA)--Modern lightweight building materials have been used for the first time in Tibet to build two new department stores and a market in this regional capital.

The buildings have been constructed over the past year from materials such as plaster board, rock wool, plastic veneer and aluminum alloy sheets, from the local building bureau today.

The materials provide effective sound and heat insulation, needed in Tibet's cold climate, and are easier to carry to the mountainous autonomous region.

In the past, houses in Tibet were made mostly from wood and stone. In recent years a number of new buildings have been built in Lhasa, but these have been made out of reinforced concrete, which is difficult to transport here.

The three new buildings cover an area of 8,100 square meters and cost eight million yuan to build--almost half of this being spent on the new materials.

China New Building Materials Corporation supervised construction, sending 70 skilled building workers and training 250 locals to carry out the work.

The buildings are among 43 major construction schemes in Tibet being undertaken by enterprises and authorities from economically-developed provinces and municipalities.

CSO: 4020/290

CONSTRUCTION

BRIEFS

SHANGHAI CITY CONSTRUCTION--The ZHONGGUO CHENGSHI DAOBAO [CHINA CITIES HERALD] publishes its first issue today. In a prominent position on its frontpage, it carried an article by Rui Xingwen, secretary of the Shanghai Municipal CPC Committee, entitled: "On Transformation and Construction of Cities." In celebration of its first issue, this newspaper also carried the inscriptions of several leaders. These leaders included Rui Xingwen, secretary of the municipal CPC committee; Zhou Gucheng, NPC Standing Committee vice chairman; Wang Daohan, mayor of Shanghai; and Chen Xitong, mayor of Beijing. [Excerpt] [Shanghai City Service in Mandarin 0100 GMT 4 Jul 85]

CSO: 4006/766

DOMESTIC TRADE

SERVICE TRADE FLOURISHES IN RURAL AREAS

OW091230 Beijing XINHUA in English 1139 GMT 9 Jul 85

[Text] Beijing, 9 Jul (XINHUA)--The number of restaurants and service shops in China's rural areas has grown more than 13 times in the past seven years, according to the ministry of commerce.

The number rose from about 100,000 in 1978 to more than 1,340,000 in 1984 and business turnover rose 2.6 times from 2.75 billion yuan to 7.20 billion yuan.

The largest increase was a 30 percent rise last year over the previous.

The drastic increase is due to the increase in privately and collectively owned businesses encouraged by the central government.

Restaurants now cater banquets to celebrate marriages, births and, in the cases of funeral gatherings, for relatives and friends.

Other services including hotels, public bath houses, photo studios, hairdressers and repair services have also made bit progress. More country women have their hair permed and more people want color photos. Growing purchases of radios, watches and electronic appliances have created a need for repairs.

Shops and restaurants will be renovated and improved within the coming five to six years and cooks, photographers, hairdressers and other service personnel will be given more training, according to a plan of the ministry of commerce.

CSO: 4020/290

DOMESTIC TRADE

HENAN HOSTS 4TH CONGRESS OF SUPPLY, MARKETING COOPERATIVES

HK271041 Zhengzhou Henan Provincial Service in Mandarin 1230 GMT 26 Jun 85

[Excerpts] The fourth congress of cooperative members of the Henan Provincial Federation of Supply and Marketing Cooperatives ceremoniously opened in Zhengzhou this morning [26 June]. Leaders of the party and government in our province, including Liu Zhengwei, Lin Yinghai, Song Yuxi, Guo Tan, and (Hu Jiyun), attended the congress. Huo Ming, deputy secretary general of the provincial government, is presiding over the congress.

On behalf of the provincial CPC committee and the provincial government, Comrade Liu Zhengwei spoke. He said: The convocation of this provincial congress of cooperative members marks the beginning of a new stage of reform of the structure of the supply and marketing cooperatives and the beginning of a new period of supply and marketing work. Achievements in reform of the supply and marketing system in our province have been made but judging from the situation throughout the province, we cannot overestimate our achievements. Reform should be further carried out and speeded up. The core of reform is still to change government-run cooperatives to people-run cooperatives. This is needed by peasants and cooperative members. CPC committees and governments at all levels must fully understand the status and role of the supply and marketing cooperatives and must show concern and support for, and supervise them so that they can constantly develop and grow strong, can serve peasants' production and livelihood still better and greater, and can contribute to the development of the rural commodity economy.

In conclusion, Comrade Liu Zhengwei said: Through this congress, we must further arouse the enthusiasm of the workers of all supply and marketing cooperatives throughout the province, must unite to work hard, and must accomplish the glorious and arduous tasks assigned to the supply and marketing cooperatives by the times.

(Xie Kang), vice chairman of the board of directors of All-China Federation of Supply and Marketing Cooperatives, also spoke at the congress.

Others attending this congress are representatives of supply and marketing cooperatives in Shandong, Shanxi, Hubei, Hunan, Hebei, Jiangsu, and Shanghai and responsible persons of all departments concerned in our province.

CSO: 4006/738

DOMESTIC TRADE

BEIJING EXPERIENCES COPIOUS WATERMELON SUPPLY

OW111144 Beijing XINHUA in English 0839 GMT 11 Jul 85

[Article: "Beijing Watermelon Glut"]

[Text] Beijing, 11 July (XINHUA)--This summer Beijing has twice as many watermelons as last and they are cheaper.

Daily supply reached 4.8 million kilograms Wednesday and is expected to peak at 7.5 million kilos on 15 July, a spokesman for the city's fruit and melon company told XINHUA today.

Prices have dropped to around 20 cents a kilo, 5 cents lower than last year. "Still lower prices are expected next week," the company said.

Peasants in rural Beijing grew 8,000 hectares of watermelons this year, expecting to harvest 200 million kilos, averaging over 20 kilos for each Beijinger.

Watermelon sellers are required to provide baskets for peel and seeds, and hygiene inspectors are vigilantly patrolling streets piled with the luscious gourds.

Watermelons are a popular heatstroke preventive in Beijing. The season runs from late June to last July.

CSO: 4020/287

DOMESTIC TRADE

BRIEFS

ANSHAN FACTORY PROMOTES SALES--Shenyang, June 19 (Xinhua)--A soda-water factory in Anshan, Liaoning Province, has hit on a unique way to promote sales--it holds an open day on the 10th of every month. Members of the public are welcome to go and look around to see how the plant works; they are also given free samples of the product. "We are keen to hear any suggestions or complaints from the customers," said factory manager Sun Changning. "And the program has certainly paid dividends since it was started last year, sales doubled by the end of May, compared to the same period in 1984." The Anshan Iron and Steel Complex now buys 8,000 cartons of soda water from the factory everyday whereas it used to only buy 4,000. During China's current economic reform, when competition is being encouraged to enhance efficiency and productivity, factories are thinking hard how to increase sales. The soda water factory has made its soft drinks the best sellers among all those of its 30 local competitors. Sun gave an example of how visitors to the plant can be made more confident about the quality of the product. One visitor asked, "why is your soda water not as sweet as that of other factories?" Sun explained that some of the other factories make their soda water sweeter by using more saccharin. "This is not good for one's health," he pointed out. [Text] [Beijing XINHUA in English 1038 GMT 19 Jun 85 OW]

LIAONING RURAL TRADE MARKET--Shenyang, 25 Jun (XINHUA)--The largest multi-purpose rural trade market in northeast China was completed in Zhangwu County, Liaoning Province, on 20 June. Nearly 80,000 people across the nation took part in trade activities on the opening day. The market occupies an area of more than 90,000 square meters, and is divided into two major sections; one for the livestock transactions, and the other for general-purpose trading use. [Summary] [Beijing XINHUA Domestic Service in Chinese 0157 GMT 25 Jun 85 OW]

CSO: 4006/772

FOREIGN TRADE AND INVESTMENT

HENAN TO ANNOUNCE PROJECTS, FOREIGN COOPERATION

OW171401 Beijing XINHUA in English 1322 GMT 17 Jun 85

[Text] Zhengzhou, June 17 (Xinhua)--Henan Province will propose 128 projects for cooperation with overseas firms at a meeting to be held in Hong Kong next month, according to governor He Zhukang.

Foreign funds will be used to build new factories or enlarge and retool existing ones, he said. Covered will be textiles, light industry, machine-building, electronics, building materials, energy, metallurgy, farming, grain processing, commerce and transport.

"One-third of the projects will involve technical upgrading of the textile and light industries, as Henan is one of China's six major textile producers," said the governor, who is to head a delegation to the Hong Kong meeting.

Henan will import wool spinning equipment and production lines for making western suits, carpets, drinks, canned food and mineral water.

Foreign equipment and funds will be used to build a new coal mine to produce three to four million tons a year. A chemical plant in Puyang will import installations to manufacture 100,000 tons of ethylene annually.

Two airports, one in the provincial capital of Zhengzhou and the other for the ancient city of Luoyang, are to be built in cooperation with overseas firms through compensation trade or loans, the governor said.

Henan has an enormous potential for expanding overseas economic cooperation, as it is now revamping 10,000 factories and will build new oil refineries and many large and modern plants producing petrochemicals, chemical fertilizers, aluminum, cement and tires.

"Henan has launched 103 schemes with overseas firms since 1980, involving 25 million U.S. dollars in foreign investment," he said.

Exports soared to 340 million U.S. dollars last year--18 times the 1965 figure. The province now trades with 3,000 companies in 100 countries and Hong Kong and Macao.

Henan will sponsor an international conference on economic and technical cooperation next September, he added. An export commodities fair will be held during the meeting.

CSO: 4020/274

FOREIGN TRADE AND INVESTMENT

BRIEFS

DALIAN TOURIST ZONE UNDER CONSTRUCTION--Dalian, April 29 (Xinhua)--Work has begun on a seaside tourist zone at Dalian in Liaoning Province. Wang Jiafa, deputy general manager of the development company, said here today that parts of the geologically unique zone would open in July. A bathing beach and boating and fishing places will be set amid a striking scenery of rocks and faults. The 21.5-square kilometer zone will extend 15 kilometers along Liangshui Bay 60 kilometers northeast of the city and be fully open in 1988. A park will be built on the complicated landforms with a geological and historical museum, a 200-meter tower with a rotating restaurant and an underwater crystal palace. Also planned are a mountain-top garden, villas, a campsite, a freshwater swimming pool, an amusement park and a target range at sea. [Text] [Beijing XINHUA in English 1050 GMT 29 Apr 85 OW]

JIANGSU TO FORM TRADING COMPANY--Nanjing--To spur development of economic relations and trade with the outside world, Jiangsu Province will announce today the formation of a new trading company, Zhong Shan Company Ltd in Hong Kong. The Zhong Shan Company Ltd. Jiangsu's first trade window in Hong Kong, will handle a full range of import-export business. The company will facilitate importation of foreign technology and seek overseas investment for joint ventures and joint contract projects, and Ni Haiqing, chairman of the board of the company. [sentence as published] Ni worked in Hong Kong for 11 years before coming back to Jiangsu in 1982. Jiangsu is a coastal province whose total industrial and agricultural output value ranked first in China four consecutive years. The province is keen to attract foreign capital and high technology to modernize its industry and agriculture and to expand trade with the outside world. [Text] [Beijing CHINA DAILY in English 30 Apr 85 p 2 HK]

GUANGZHOU ATTRACTING MORE FOREIGN INVESTMENT--Guangzhou, April 29 (Xinhua)--Guangzhou attracted 177 million U.S. dollars of foreign investment in 98 contracts in the first three months of the year, three-fourths of the total in 1984. A spokesman for the city government cited this as one latest achievement made by the city since it was designated last year to practice special policies to attract foreign investment along with 13 other coastal cities. Preparations are underway to build a Guangzhou-french joint venture with an annual production capacity of 15,000 cargo-passenger convertibles, and a Guangzhou-American joint venture with an annual capacity of 300,000 pieces of high-grade sanitary equipment. Of the new contracts, 22 are joint ventures worth 120 million U.S. dollars and 76 are cooperative enterprises

coming to more than 50 million U.S. dollars. The spokesman attributed the increase in foreign investment to a series of new decrees and regulations formulated by the city government to simplify procedures, streamline administrations and improve the city's investment environment. [Text]
[Beijing XINHUA in English 0707 GMT 29 Apr 85 OW]

INSURANCE BUSINESS INCREASED--Beijing, June 20 (Xinhua)--The People's Insurance Company of China has collected 47 million U.S. dollars of insurance premium in the first quarter of this year, according to the latest issue of "international business". The figure is expected to reach 200 million U.S. dollars by the end of this year, the paper said. And this means a 10 percent increase over last year. Through reinsurance deals, the Chinese and foreign companies transfer risks to each other on such things as imports and exports, ocean-going ships, oil exploration equipment, capital construction schemes and sino-foreign joint ventures. Eighty percent of the Chinese company's business in their major areas is being spread among 1,200 foreign insurance firms from 100 countries, the journal, published by the Ministry of Foreign Economic Relations and Trade, reported. The People's Insurance Company is a member of the federation of afro-asian insurers and reinsurers, which will hold its ninth general meeting here in September. [Text] [Beijing XINHUA in English 1055 GMT 20 Jun 85 OW]

QINGDAD TOURIST PREPARATIONS--Qingdao, 4 June (Xinhua)--China's Qingdao Province, is ready to greet an expected flood of tourists. Shops, hotels, and various recreational facilities have sprung up over the past few years, and now 29 percent of Qingdao's employees are in the service trades, according to city officials. Qingdao attracts thousands of foreign and Chinese tourists every year. Of the new shops and hotels, over 98 percent are run collectively or privately. The farmers in the suburbs have built hotels, and fishermen, seafood restaurants. Hotel beds now number 26,000, 3 times more than 5 years ago. There used to be no shops on Mount Laoshan near Qingdao, a sacred place for China's Taoist believers as well as a scenic spot. Now bars, restaurants, and inns have been set up there. In the downtown area, restaurants serving Western meals, coffee-houses, tailors' shops, and laundries have been added. Every day more than 7,000 private traders operate in the streets and the 26 free markets, officials said. [Text]
[Beijing XINHUA in English 1041 GMT 4 Jun 85 OW]

BAMBOO FOREST DEVELOPED--Chengdu, June 7 (Xinhua)--Sichuan province is developing a bamboo forest into a new tourist resort, the provincial authorities reported here today. The area, known as "the bamboo sea of southern Sichuan", covers 4,000 hectares, and ancient temples and pavilions are located among clear streams, waterfalls, caves and peaks. There are more than 20 species of bamboo and various types of birds, including bamboo partridges, babblers and parrots. In recent years, Premier Zhao Ziyang and other Chinese leaders have visited the bamboo forest and urged the local people to develop tourism and improve the dilapidated communications facilities. An 80-km highway linking the bamboo forest with Yibin City is being expanded, while shops, hotels and tea houses are under construction.

The "Zhuhai hotel" has already been completed, with many of its features, such as furniture, made of bamboo. A bambooware factory, which recently went into operation, turns out bamboo chopsticks, curtains, brush pots, walking sticks, fans, baskets, etc. Visitors can also expect to taste dishes made of fresh bamboo shoots and edible fungi harvested locally. [Text]
[Beijing XINHUA in English 1232 GMT 7 Jun 85 OW]

MUSLIM DEVELOPMENT CORPORATION FOUNDED--Beijing, June 20 (Xinhua)--The Beijing Moslem Industrial Development Corporation was established here today on the day of the fast-breaking (id) festival. At a reception at the cultural palace for ethnic minorities here tonight, chairman of the board of directors An Shiwei said the corporation would run restaurants and food shops selling moslem food, clothing shops to make moslem garments tourist facilities and recreation centers with imported capital and technology. An, also chairman of the Islamic Association of Beijing, added that the corporation would also provide contacts, consultancy and services for sino-foreign co-operation. The corporation is aimed at promoting economic relations between Chinese moslems and moslems in other countries and regions, and at enhancing economic and technological exchanges and co-operation between moslems in Beijing and those in China's minority areas. Among the 200 people present at the reception were Burban Shahidi, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference, Hajji Muhammad Ali Zhang Jie, President of the Islamic Association of China, and diplomatic envoys of Islamic nations in Beijing. [Text] [Beijing XINHUA in English 1919 GMT 20 Jun 85 OW]

INCREASED FOREIGN FUNDS IN SHANGHAI--Shanghai, June 12 (Xinhui)--Shanghai approved 25 sino-foreign joint ventures and nine cooperative businesses in the first five months of this year, the municipal commission of foreign economic relations and trade announced here today. They will bring 200 million U.S. dollars in foreign investment, an official said. Five joint ventures producing microcomputers, disks, displays and software were launched during the period. This represented a breakthrough in computer development and application, which is given top priority for utilization of foreign capital. The seats of Shanghai's ten outlying counties were opened wider to foreign investment earlier this year. Eight contracts for joint venture and cooperative enterprises were approved there in the same period. As a result, the city now has 60 sino-foreign joint ventures, 40 cooperative businesses and two enterprises with sole foreign investment. Foreign investment in these amounts to 770 million U.S. dollars. Overseas firms are being offered 370 projects for the establishment of joint ventures or cooperative businesses, two-thirds involving industrial production, the official said. He hoped for greater overseas cooperation in retooling these industries, such as motor vehicles, petrochemicals, shipbuilding, aircraft and iron and steel. Other areas include urban construction, energy development and transport. Cooperation is well under way with firms from Britain, Belgium, Federal Germany and the United States in production of aircraft, automobiles, building materials and telephone equipment. Shanghai is empowered to approve any industrial project worth up to 30 million U.S. dollars. [Text] [Beijing XINHUA in English 1447 GMT 12 Jun 85 OW]

CSO: 4020/274

SPECIAL ECONOMIC ZONES

FUJIAN'S XIAMEN SEZ TO SPEND MORE ON DEVELOPMENT

OW300822 Beijing XINHUA in English 0806 GMT 30 Apr 85

[Text] Fuzhou, April 30 (Xinhua)--The Xiamen Special Economic Zone, Fujian Province, will spend 850 million yuan on infrastructure development this year to improve its environment more attractive to foreign investors.

This is double last year's figure, said deputies from Xiamen to the ongoing third session of the Sixth Provincial People's Congress.

Priority will be given to construction of the Huli industrial area, four major roads totalling 24 km and a new tourist zone.

Twenty-five major projects to manufacture such products as computers, optical fiber cables, color TV sets and electronic components will go into operation this year.

Over the next three years, 194 of Xiamen's major factories will receive technical upgrading.

Last year, the zone struck 152 contracts with foreign firms for joint ventures, cooperative businesses and enterprises with sole foreign investment. The deals were worth 696 million U.S. dollars--five times the total for the previous three years.

Fields of cooperation include production of video recorders and tapes, microprocessors, color TV tubes, radio recorders and motorcycles.

Also in 1984, Xiamen imported 24 production lines and 160 sets of equipment to retool 68 factories.

Progress was also made in the transport and communications sectors, the deputies said.

For instance, the Xiamen International Airport now provides charter air services to Japan and Hong Kong, and four deep-water berths accommodating ships ranging from 10,000 dwt to 50,000 dwt now operate from the Dongdu port.

Program-controlled telephone systems with a capacity of 10,000 lines and a 960-channel microwave circuit, both imported from Japan, were put into use last January.

A new waterworks has boosted the zone's daily fresh water supply.

Last year also saw the completion of 27 hotels with 3,000 beds and 22 villas designed for foreign business people.

CSO: 4020/274

SPECIAL ECONOMIC ZONES

BRIEFS

XIAMEN SEZ VOCATIONAL EDUCATION--Fuzhou, May 29 (Xinhua)--Vocational Education is booming in the Xiamen Special Economic Zone (SEZ) in Fujian Province. Since 1980, the SEZ has set up the Lujiang Vocational University and 78 vocational classes in senior middle schools. At the moment there are 790 and 3,100 students, respectively, in the university classes. The university offers nine specialities--including architectural engineering, foreign languages, electronics, enterprise management and secretarial work--and the classes offer 31. The university and classes have graduated more than 2,400 students. Most of the vocational classes are jointly run by the Xiamen Education Department and enterprises. Specialities are established according to needs. There are over 300,000 people and 25 middle schools on Xiamen Island, where the zone is located. [Excerpts] [Beijing XINHUA in English 1039 GMT 29 May 85 OW]

CSO: 4020/274

LABOR AND WAGES

WAGE SYSTEM OF ENTERPRISES SHOULD BE GRADUALLY REFORMED

Shanghai SHIJIE JINGJI DAOBAO [WORLD ECONOMIC HERALD] in Chinese 27 May 85 p 5

[Article by Huang Jian [7806 0256]: "Wage System of Enterprises Should Not Be Reformed All at Once"]

[Text] Some of the enterprises have begun to establish a link on a trial basis between the total amount of wages with the amount of profit taxes turned over to the state. Their prime purpose is to increase the wages of their workers with an increase in the surplus value and in the amount of profit taxes paid to the state. At the same time, these enterprises, by establishing a link between the base and the coefficient ratio, have made readjustments in the unreasonable amounts of distribution among themselves and have been able to keep the increase in consumption under control from the macroscopic point of view. These measures are to a certain extent a reflection of the link between the results of business operations and the payment for wages and are in the main welcomed by the enterprises. However, certain contradictions have cropped up while the measures are being adopted on a trial basis.

1. It is rather one-sided to use the rate of increase in the profit taxes paid by an enterprise to the state as an indication of its effectiveness. The operations of an enterprise are part of the integrated economic process involving production, circulation, marketing and distribution and subject to the influence of such factors as the availability of financial, material and labor resources. The effectiveness of the operations of an enterprise cannot therefore be assessed by using one accomplishment as an indicator. While the rate of increase in profit taxes paid by certain businesses to the state may serve basically as an indication of their effectiveness, an overall assessment of other businesses must be based on a number of other indicators.
2. The establishment of a link between the effectiveness of an enterprise with the rate of increase in profit taxes paid to the state does not serve to promote its effectiveness. To assess the effectiveness of the operations of an enterprise, it is necessary to establish coordination between effectiveness and speed and a link between the total amount of wages and the rate of increase in profit taxes paid to the state. Without consideration

being given to the comparative amounts of input and output, the increase in profit taxes paid to the state would become the chief objective of an enterprise. In a seller's market where the demand exceeds the supply, it is possible to make a profit merely by increasing production value. Under such circumstances, the enterprises can afford to give secondary consideration to such factors as the usage of funds and the consumption of materials. Furthermore, by creating an interest in investments and by increasing production at too high a speed, the enterprises tend to reduce the economic effectiveness of their operations. Such a situation merits special attention.

3. It is not possible to make an accurate assessment of the standard of the operations of an enterprise in the absence of lateral comparisons. Since there is a difference in the levels of the various enterprises during the initial period, to assess the effectiveness of any one enterprise only by the increase in profit taxes it pays to the state at different periods is in actual fact to let the various enterprises run a race from different starting lines and to make it impossible to assess their effectiveness. When the enterprises are vested with certain autonomous powers over prices, finances and wages and when wage increases run counter to economic effectiveness, they will naturally think of ways to outdo each other. Once macroscopic control exercised by the enterprises has lost its microcosmic foundation, their control over consumption will eventually be lost.

In view of the imperfect method of setting a fluctuating ratio between the total amount of wages and the profit taxes paid to the state and of the present circumstances of the enterprises, the author feels that the wage reform of the enterprises should not be made all at once but that consideration should be given to the following:

1. The method of establishing a link between the total amount of wages and the profit taxes paid to the state may be adopted on a trial basis by enterprises which have a sound foundation in management, a normal production schedule and a stable increase in economic effectiveness. Some enterprises may tie in bonus funds with basic wages and set a fluctuating ratio between the total amount of wages and the amount of profit taxes paid to the state. Other enterprises may set a fluctuating ratio between basic wages and profit taxes paid to the state and continue the original method of allocating bonus funds. In order to make up for the shortage of funds, it is necessary to adopt remedial measures by gradual degrees: (1) Aside from using the rate of increase in the payment of profit taxes to the state as an index for establishing a link, the various businesses may, on the strength of their different circumstances, select certain indices for assessing their economic effectiveness such as the rate of cash profit earned by the industrial enterprises over cost, the rate of labor productivity, the quality of the products, the quality of service offered by the commercial enterprises, the rate of cash profit and expenditures, etc. If the indices for the assessment of effectiveness

are not what they should be, then the increase in the amount of wages should correspondingly be reduced as a means to increase the economic effectiveness of the enterprises. (2) Attention should be directed toward the level of operations of an enterprise in comparison with the levels achieved by other enterprises engaged in the same lines of business. For those enterprises whose level of efficiency is above the average, the floating ratio should be larger or the base figure should be readjusted. For those enterprises whose level of efficiency is below average, the floating ratio should be reduced. At the same time, consideration should be given to the objective factors accounting for the increase in the payment of taxes by different enterprises as well as their different potentialities so as to correct the practice of whipping an ox that is already running at a high speed. (3) Strict control should be exercised over taxes for wages and bonuses and wage increases paid by the various enterprises should be kept to a certain level.

2. For enterprises making small profits which for the time being do not justify the establishment of a link between their effectiveness and the rate of increase in profit taxes paid to the state for reasons other than the lack of control, the practice of deducting a certain percentage from bonuses may still be adopted. Due consideration should also be given to such matters as taxes so that the workers of such enterprises may also be given wage increases.

3. The complexity of wage reform for the enterprises is such that it is extremely difficult to put it into action in view of the limited experience chalked up by the individual enterprises. Thus, it is necessary to use the departments, the businesses and the cities as single experimental units for enlarging the scope of wage reform on an overall basis. While strict control should be exercised over the total amount of wages, the various departments, businesses and cities should be encouraged to deal with the situations as they really are, to give free play to their creative spirit, to adopt a variety of measures for establishing a link between remuneration for labor and economic effectiveness, and to devise step by step a brand new wage system with Chinese characteristics.

9621

CSO: 4006/712

LABOR AND WAGES

XIANG NAN ADDRESSES TRADE UNION MEETING OPENING

OW080502 Fuzhou FUJIAN RIBAO in Chinese 30 May 85 p 1

[Excerpts of Comrade Xiang Nan's speech at the opening ceremony of the Seventh Congress of the Provincial Trade Union: "Fujian Workers, Who Have Glorious Revolutionary Traditions, Should Make Still Greater Contributions to the Four Modernizations"]

[Text] I can see the ranks of the representatives attending this meeting today are in good order and in high spirit. This reminds me of two major events that shook people both at home and abroad, during the stage of democratic revolution in modern Chinese history. The first was the uprising launched by 72 revolutionaries in Guangzhou's Huanghuagang, and the other was the "7 February" general strike that took place in Wuhan's Jiangnan railway station. These two events had close ties with we people in Fujian.

Aside from the folks from Guangdong, from which province did most of the other 72 martyrs entombed at Huanghuagang come? The answer is Fujian. Martyr Lin Juemin from Fuzhou was one of the most prominent examples among the 72 martyrs.

Aside from the folks from Hubei, from which province were most of the martyrs who died during the "7 February" general strike at the Jiangnan railway station? The answer is again Fujian. Martyr Lin Xiangqian, one of the leaders of the general strike, was also from Fuzhou.

This shows that people of Fujian played a significant role in these two major events. Is this just an historical coincidence? It is not. It tells that Fujian's working class and people are revolutionary and heroic people who dare to struggle. Of course, the two events I have just mentioned took place during the stage of democratic revolution. How is the performance of Fujian's working class during the stage of socialist construction? I believe that our working brothers in Fujian certainly can carry forward the revolutionary spirit displayed by the martyrs, and will make still greater contributions on the forefront of Fujian's four modernizations drive.

The most important task facing us today is to attain the quadruplication target in the course of accomplishing the four modernizations. I think our working comrades in Fujian certainly will respond to the party Central

Committee's call and strive to achieve satisfactory results in reforms, in opening to the outside world, in enlivening the economy, and in achieving technological progress.

The 12th party congress in 1983 pointed out that in the next 5 years we should strive to achieve a fundamental change for the better in party style, in the financial and economic situation, and in the standards of social conduct. There are about 2 years or so before the deadline of this project, and I hope our working comrades in Fujian will make still greater contributions to achieve fundamental changes for the better in the three areas mentioned above.

During a meeting of the provincial CPPCC committee not long ago, several members from Hong Kong and Macao pointed out that, because of historical reasons, Fujian's economic foundation was weak, and its investment environment was not as good as that of Shanghai, Tianjin, or Guangdong; however, they hoped we could have better standards of social conduct than Shanghai and Guangdong, so that foreigners, Overseas Chinese, and countrymen from Taiwan will be satisfied with the standards of social conduct while visiting Fujian. But this is not the case in certain areas, where people have made it a practice to do something immoral, and even detrimental to the prestige of the country. I am sure that our working comrades in Fujian will be infuriated by these unhealthy practices and will assist the government in combating the problems.

This morning I was shown a copy of statistics prepared by the provincial Statistical Bureau, which said that the amount of profits Fujian's industrial enterprises turned in to the state in 1984 decreased while the amount of profits they retained for themselves drastically increased. How did these enterprises spend the profits they had retained for themselves? According to the statistics, they spent less than one-third of the retained profits on expanding production and developing new products, and spent the rest for bonuses and welfare projects. I think this runs counter to the aspirations of our working class. We used to say that, in sharing profits, the state gets the largest portion, the enterprises concerned the second largest, and individuals the rest. Why then was this order of sharing profits reversed? We must, therefore, carry out education on ideals and discipline among the workers, and among the people as a whole. However, if we ignore the concrete statistics while carrying out education on ideals, our education will become nothing but pointless, ineffective preaching. Our working class must, first of all, educate themselves with such vivid facts before they are qualified to educate other people. Under the present circumstances, excessive growth of consumption funds will do more harm than good for our working class and society as a whole. This is because when we have more money to spend on things than the state can produce, we will cause skyrocketing commodity prices; and it will be ourselves, the people, who will suffer in the long run.

A new problem we have encountered under the new situation today is how to promote production and education, and develop trade union operation. I think a very important issue is that while we should be concerned with workers' living conditions and improve them, we must intensify our ideological and political work among them, and should not accommodate ourselves to nor

patronize some backward workers. We must put the interests of the state and the people at first place, then put the interests of departments and enterprises at second place, and then consider our individual interest. We should not place our own interests above everything else, or consider reaping profits for ourselves the most important thing to do. While there has been a significant change for the better in the nation's economic situation as well as in the development of production over the past several years, we should not, however, forget the tradition of arduous struggle and building the country through diligence and frugality. This tradition is the most valuable asset to assist us in achieving the four modernizations and attaining the quadruplication goal. I hope you will seriously discuss how to achieve a fundamental change for the better in party style, in the financial and economic situation, and in the standards of social conduct. You should also seriously discuss how to carry out education on ideals and discipline among the broad masses of workers, and how to closely integrate our partial and individual interests with the interests of whole and the interests of the state. While it is improper to underscore the interests of the whole and the interests of the state and pay no attention to individual interests, it is even worse to underscore individual interests and pay no attention to the interests of the state and the interests of the whole.

Fujian Province is now engaged in reforms, in opening to the outside world, in enlivening the economy, and in expediting technological progress. The tasks placed before us in the working class are quite heavy. There is no shortcut that Fujian can take to become a forerunner in the country in achieving the four modernizations, because in terms of our resources, we are almost the same as other provinces. Then how can we become a forerunner in the nation's four modernizations drive? The answer is: We must exert great efforts to promote educational, scientific, and technological development. In other words, we must win by developing our intellectual resources. Thus, with the great deal of technological knowhow and equipment available to us, we can strive to achieve a quick start right from the very beginning in various sectors, including our township and town enterprises. Since all parts of the country are promoting township and town enterprises, Fujian should study how to help our township and town enterprises achieve a quick start with additional imported new technologies, taking advantage of Fujian's favorable conditions as a coastal province, where many people have family members living overseas. These favorable conditions will play a significant role in helping Fujian become a forerunner in the nation's four modernizations drive.

Working comrades throughout Fujian should pay great attention to self-improvement, and take active part in technical transformation and reform. If each factory, each workshop, each unit, and each worker in Fujian attaches great attention to technical transformation and considers how to expedite technical progress, there certainly will be a fundamental change in Fujian's economic outlook. Many countries in the world have little natural resources and little capital, and their conditions are not better than ours, yet their development is far ahead of ours. On what do they depend? They depend on development of intellectual resources and advanced technology. This is why I want us to discuss this issue seriously.

CSO: 4006/766

LABOR AND WAGES

WAN SHAOFEN, OTHERS CALL ON SELF-EMPLOYED LABORERS

OW100109 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 5 Jul 85

[Excerpt] The first representative meeting for self-employed laborers in Jiangxi Province, which lasted 3 days, closed in Nanchang 5 July. Wan Shaofen, secretary; Liu Fangren and Xu Qin, deputy secretaries of the provincial CPC committee; and (Sun Xiye), vice provincial governor, met representatives at the meeting, and were photographed with them.

Comrade Wan Shaofen happily told the representatives: I have the following expectations for you:

1. We must foster the notion that all trades and professions serving the people are honorable, and so are the self-employed laborers.
2. We must improve operations and achieve prosperity through hard work.
3. We must establish a fine ethical standard in our professions, and abide by law and discipline.
4. The whole society must respect self-employed laborers and protect their legitimate interests.

This was the first representative meeting for self-employed laborers in the province. Three hundred representatives from throughout the province gathered to discuss plans for developing the individual economy, revitalizing Jiangxi Province, and advancing the four modernizations.

CSO: 4006/766

LABOR AND WAGES

BRIEFS

YUN INSCRIBED LOGOTYPE--According to the ZHONGGUO LAODONG RENSHI BAO [CHINESE JOURNAL OF LABOR AND PERSONNEL], last year, more than 780,000 people among the personnel of the state administrative organs and institutions at all levels in China won one kind of award or another. The ZHONGGUO LAODONG RENSHI BAO was officially inaugurated today. The newspaper will mainly deal with the reform of the labor, wage, and personnel systems. Comrade Chen Yu inscribed the logotype for the newspaper. [Text] [Beijing Domestic Service in Mandarin 2230 GMT 2 Jul 85]

CSO: 4006/746

TRANSPORTATION

TRANSPORT PROBLEMS HAMPER TRADES DEVELOPMENT

HK130345 Beijing CHINA DAILY in English 13 Jun 85 p 4

[Article by Zhang Songtao, an official from the Bureau of Comprehensive Planning under the Ministry of Foreign Economic Relations and Trade]

[Text] China's open policy has led to foreign trade developing rapidly over the past few years. Last year saw imports and exports hit a new record and further growth is expected.

However, inadequate transport and outdated management are restricting the development. The severe problems with transport need to be dealt with immediately.

Sea transport is the main vehicle for China's imports and exports. Up to 90 percent is carried by ocean-going ships.

Although the number of ports along the coastline has increased from 61 in the early 1950s to more than 300, and more than 30 ocean transport routes lead to more than 100 countries and regions in the world, they cannot keep pace with demand.

Tianjin port is an example. With 26 berths devoted to foreign trade, the port handles about 11 million tons of import and export cargo a year. To realize the goal of handling 50 million tons a year near the end of this century, 54 more berths must be added. At present, cargo ships waiting to be unloaded outside Tianjin harbour average more than 30 a day.

Overstocking at ports is a problem, and damage is high as a result.

There are also problems in railway, air and road transport.

Railway transport is too slow and involves complicated procedures for crossing borders. Each day about 88,000 cargo wagons need to be transported, but only 63,000 are moved. The consequent stockpiling of goods affects foreign trade.

More efficient and bigger ports are the key to improving foreign trade. In the past, too much emphasis was put on enlargement and little effort was given to bringing out potential of existing ports.

Last year, a Japanese port expert working as senior adviser to Tianjin port found that the water in Haihe River, which passes through the city of Tianjin and joins the Bo Hai Bay, reaches sea level twice a year. He believed that opening the sluices would not cause a flood of sea water into the river and the five 5,000-ton berths within the sluices would be of use. His argument was finally accepted and the idea has proved successful.

Poor management and frustrating bureaucracy must be blamed on such simple solutions to problems not being introduced in the past.

The mentality of officials and workers at different ports is another session for inefficiency. They believe they are doing others a favour by loading and unloading ships. It makes little difference to them whether the work is done with efficiency and how much waste is caused by their irresponsibility.

Renovation of old facilities and introduction of advanced equipment is indispensable to update China's ports and advance its foreign trade. Government policies need to be further relaxed to allow more co-operation with foreign countries and to collect funds for the construction of key projects.

Most roads in the country are of poor quality. Money must be given to improve them. Higher road tolls will be necessary to finance road maintenance and construction.

New airlines should be launched, airports enlarged and some military airports converted for civilian use. Passenger flights should be promoted to ease the tension on railway passenger transport, so that some trains could be freed to transport more goods.

The managerial system must undergo reforms to raise efficiency. The administrative and managerial bodies in port offices must be separate entities. The barriers between different departments have to be broken to establish a comprehensive transportation network.

CSO: 4020/279

TRANSPORTATION

SICHUAN SETS UP COMMUNICATIONS, TRANSPORT ASSOCIATION

HK120815 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 11 Jul 85

[Text] The inaugural meeting of the Sichuan Provincial Communications and Transport Association was held in Chengdu yesterday.

At the meeting provincial governor Jiang Minkuan said: The establishment of the provincial communications and transport association is a good thing. After its establishment, the association should improve Sichuan's communications and transport work, and play a good role in giving advise, providing consultation services, and conducting research. The association, which will carry out activities under the leadership of the provincial planning economy committee, is a socioeconomic organization which will arrange theoretical research on communications and transport and promote practical experiences in this field.

A total of 230 people attended yesterday's inaugural meeting, including leaders and representatives from the railway, road, shipping, civil aviation, and relevant goods and materials departments of the province; leaders of the central departments concerned; and representatives from the economic commissions and communications associations of Yunnan, Guizhou, and Gansu provinces.

CSO: 4006/772

TRANSPORTATION

BRIEFS

FLEET SHIPS REVIEWED--On the morning of 1 July, the Logistics Department of the East China Sea fleet held a military review at the Yangzijiang Wharf. Nie Kuifu, deputy commander of the navy; Xie Zhenghao, commander of the East China Sea Fleet; and (Huang Ziqiang), political commissar of the Logistics Department of the Navy, inspected the units and warships of the Logistics Department of the East China Sea Fleet in Shanghai. [Text] [Shanghai City Service in Mandarin 0100 GMT 2 Jul 85]

DALIAN-HONG KONG FREIGHTER--Dalian, 4 Jul (XINHUA)--A ceremony was held in Dalian City on 4 July to mark the maiden voyage of the regular general cargo freighter from Dalian to Hong Kong. The freighter "Mu Xing" has a deadweight capacity of 7,380 tons, and plies to Hong Kong and back to Dalian every 20 days. [Summary] [Beijing XINHUA Domestic Service in Chinese 1625 GMT 4 Jul 85 OW]

XIAN-HANGZHOU AIR ROUTE--Xian, 28 Jun (XINHUA)--A large, fully-loaded passenger aircraft today flew from Xian directly to Hangzhou, greatly shortening the distance between these two famous ancient cities frequented by tourists. The air route was opened by the Xian City Air Service Company, after reform of the civil aviation system. One flight per week is scheduled for the time being. The journey takes 2 hours and 10 minutes. [Text] [Beijing XINHUA Domestic Service in Chinese 1620 GMT 28 Jun 85 OW]

CAAC TRANSPORTATION TASKS--Beijing, 5 Jul (XINHUA)--By 30 June, the Civil Aviation Administration of China (CAA) had overfulfilled its passenger and cargo transportation tasks for the first half of this year. According to the organization's statistics, it had completed 56.8 percent of its annual transportation plan, 54.6 percent more than in the same period last year. More than 50 percent of both passenger and cargo transportation plans had been completed. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1211 GMT 5 Jul 85 OW]

AIRPORT EXPANSION WORK--Changchun, June 11 (XINHUA)--Expansion work started today on the airport in this capital of Jilin Province. The project, part of a civil aviation development program for northeast China, is aimed at accommodating Boeing 707s. It is to be completed at the end of this year. Northeast China embraces Jilin, Liaoning and Heilongjiang provinces. So far, only the airport at Harbin, the capital of Heilongjiang, can handle Boeing 747s. The airport at Dalian, an open city in Liaoning Province, is also being expanded. When completed next year, it will be an international terminal. According to the program, an airport will be built in Shenyang next year, said Lu Fengcang, an official of the Shenyang regional administration of CAAC, China's national airline, here today. Under repair and expansion also are a number of small airports in Chaoyang and Dandong in Liaoning Province, Yanbian in Jilin, Heihe, Jamusi and Mudanjiang and Qiqihar in Heilongjiang Province. These airports will be used for forest-fire fighting, crop-spraying and other civil air services. Lu said his department has ordered from the United States a number of passenger planes and will put them into operation next year. Both internal northeast China air routes and international routes will be added, he explained. Northeast China now has air links with the Democratic People's Republic of Korea, Japan and Romania. Northeast China is to get its own aviation company, Lu revealed. [Text] [Beijing XINHUA in English 1641 GMT 11 Jun 85]

SHANGHAI CAAC ORDERS AIRBUSES--Shanghai, June 30 (XINHUA)--Two airbuses purchased by the Shanghai branch of the Civil Aviation Administration of China (CAAC) arrived here yesterday. The Shanghai branch has ordered three such planes, the third one is expected to be delivered next May. The two airbuses will [be] commissioned on August 1, flying between Shanghai and Tokyo, Osaka, Hong Kong, Beijing, Guangzhou, Harbin and Urumqi. [Excerpt] [Beijing XINHUA in English 1626 GMT 30 Jun 85]

CSO: 4020/279

PUBLICATIONS

HAO JIANXIU INSCRIBES FOR FASHION MAGAZINE

OW062351 Beijing XINHUA Domestic Service in Chinese 1443 GMT 5 Jul 85

[By reporter Li Anding]

[Text] Beijing, 5 Jul (XINHUA)--China's textile industry is prepared to use new and original face materials to produce 100 million pieces of garments this year. This was revealed by Wu Wenying, minister of textile industry, when she spoke at a forum held in connection with the inauguration of the magazine SHIZUANG YU FANGZHIPIN [FASHION AND TEXTILES 2514 5944 5280 4791 4930 0756].

In her remarks, Wu Wenying noted that China's textile industry has now established a number of centers in Beijing, Shanghai, Wuxi, Suzhou, and Shijiazhuang to develop the production of garments, ornaments, and lining materials. It has also imported a number of modern garment production lines and set up garment designing courses in the three textile industry colleges of Huadong, Tianjin, and Sabei to train designers. All this is aimed at realizing an expansion from the simple production of only face materials to the production of garments and ornaments.

The inaugural issue of SHIZUANG YU FANGZHIPIN magazine carried an inscription written by Hao Jianxiu, which reads: "Develop the production of garments, beautify the people's life." The magazine will devote itself to introducing the matching of face materials and garments and reporting on the world's fashions and the local demand.

CSO: 4006/772

PUBLICATIONS

BRIEFS

RENMIN RIBAO OVERSEAS EDITION--Beijing, July 1 (XINHUA)--The first issue of an overseas edition of the PEOPLE'S DAILY was published here today. The eight-page paper contains more news about overseas Chinese and compatriots from Hong Kong and Macao, with stories written in complex Chinese characters. It is being printed in Beijing, Hong Kong, Tokyo, Paris, New York and San Francisco. Chinese leader Deng Xiaoping, wrote an inscription on today's first issues. [Text] [Beijing XINHUA in English 0653 GMT 1 Jul 85]

CSO: 4020/279

TAIWAN

SINO-FRANCO ECONOMIC CONFERENCE CLOSES IN PARIS

OW200439 Taipei CNA in English 0310 GMT 20 Jun 85

[Text] Paris, 19 Jun (CNA)--The successful conclusion of the second Sino-Franco economic consultation conference here has paved the way for further economic and trade cooperation between France and the Republic of China, Chang Kuan-shih and Pierre Aigrain, cochairmen of the meeting told French mass media Wednesday.

Speaking at a press conference, both Chang and Aigrain stressed that concrete results have been achieved through two days of intensive discussions on such topics as technology transfer, mutual investment and joint ventures in industrial development.

Conference had been divided into eight groups covering electronics and telecommunications, petrochemistry, machinery, investment and banking, foreign trade and agriculture.

It was learned that nearly all the major private and government-owned corporations of France have sent representatives to take part in the meeting.

In the telecommunications field, the ROC may consider the purchase of some of the most advanced French technology, and the French side is particularly interested in providing its technology and equipment to help upgrade the structure of ROC's medium and small industries.

Mutual investments have also been carefully studied by legal experts and business leaders of the two sides in order to take advantage of the economic and investment situations of the ROC and France.

CSO: 4020/288

HONG KONG MEDIA ON CHINA

REDUCED BANK LOANS WILL JEOPARDIZE ECONOMIC DEVELOPMENT

Hong Kong MING PAO in Chinese 10 Jun 85 p 5

[Article: "Reduction of Bank Loans Will Jeopardize Economic Development"]

[Text] In the absence of strict control over bank credit loans in China, an excessive amount of currency was put into circulation last year. The situation has now been reversed with an all-round reduction in bank loans. In certain regions, the arbitrary uniformity in tightening the supply of money has seriously affected the healthy development of the economy.

As was recently pointed out by a person in a responsible position in the State Economic Commission, the proper utilization of credit loan funds is essential to the normal process of production and circulation. At the moment, certain regions, by reducing the supply of currency with arbitrary uniformity and without having made a specific study of the situation, have seriously jeopardized economic development.

He expressed the opinion that, while the total amount of loans should be kept under control, the banks should, in the extension of credit loans, take note of the ways the funds are being used and of the situation of the various enterprises. The general principle should be to exercise tight control over consumer funds, a proper degree of flexibility over production funds, strict control over capital construction projects, a proper degree of flexibility over technical reforms, and strict control over state enterprises so as to satisfy inasfar as possible the needs of the joint enterprises by the extension of credit loans, especially to those enterprises active in the special economic zones whose products have proved to be competitive in the international market, whose exports are capable of earning large amounts of foreign exchange and whose capital funds are capable of making quick returns and of opening up the sources of revenue.

He stated that while we should remain firm and steadfast in our thoughts and understanding in the implementation of the open door policy, we must exercise great caution in adopting ways and means for its implementation. We must have an order of precedence in the selection of imports and make use of our limited funds for items that can be exported in quantity and

are capable of earning large amounts of foreign exchange, and for import items urgently needed by the state such as technology, technical knowhow and personnel for the manufacturing of products that can hold their own in the international market. The limited funds should be used for projects that can be supported by our energy resources, our raw materials, our material resources and our communication and transportation facilities and for new technologies that can be rapidly absorbed and assimilated. At the same time, we must take the entire situation into consideration and avoid duplication in the import of what we need from a variety of sources.

In regard to the extension of credit loans in the rural areas, an expert in the Financial Research Institute of the Agricultural Bank expressed the view that an excessive amount of credit loans has been extended in recent years and that a proper reduction is in order. However, the policy of tightening the supply of cash should primarily be applied to capital construction and consumer funds which have an indirect effect on the development of the economy and credit loans should not simply be reduced and "cut off" in the rural areas.

He offered the opinion that, after an excessive amount of cash has been put into circulation, the reduction of credit loans and the amount of such loans, while appearing to bring instant results, is not basically a sound policy and that setting a limit on the amount of currency put into circulation by reducing credit loans in the rural areas can yield only limited results.

9621

CSO: 4006/714

HONG KONG MEDIA ON CHINA

GUANGDONG, FUJIAN TO HAVE CHINA'S FIRST REGIONAL BANKS

Hong Kong WEN WEI PO in Chinese 31 May 85 p 1

[Article by Tan Danhui [6223 0030 5610]: "Guangdong and Fujian Plan To Establish Regional Banks"]

[Text] It has been revealed by the party concerned that, with the approval of the State Council, Guangdong Province is making active preparations to establish a regional bank on the provincial level.

According to the informant, it is imperative to establish regional banks in the more economically developed regions along the coastal areas. In recent years, profound changes have taken place in China's economy with the implementation of the policy of opening up to the outside world and of invigorating the domestic economy as well as the reform of the economic system in the cities and rural areas. With the continuing expansion of commodity production and exchange, the pluralistic, multilevel and multichanneled economic system is being increasingly developed so that the establishment of a system for the lateral movement and circulation of funds has become a matter of great urgency. The central bank system, the main function of which is the vertical distribution of funds, can no longer cope with the developing economic system. In view of the fact that the failure on the part of the financial setup to make the necessary reforms and readjustments would inevitably put a crimp on economic development, it has become a matter of necessity to establish a regional bank in Guangdong.

In February this year, approval was officially given by the State Council for the establishment of regional banks in Guangdong and Fujian on a trial basis. What will be the name, the setup and the scope of operations of the regional bank to be established in Guangdong? According to the informant, these matters are still at the formative and planning stage and an official proposal will be submitted by the party concerned. After the proposal has been approved by the provincial government, a preparatory committee will be set up to engage in the actual establishment of the bank. To be named "The Guangdong Provincial Bank," it will be placed under the direct control of the provincial government and backed by local financial resources. In line with the unified financial policy of the state and the macroscopic planning of the central government, it will engage in financial operations to meet the special needs of the province, including renminbi

deposits, investments and loans. It also plans to issue bonds and share certificates to the public and to engage in agency, trust and consultation operations. It is unlikely, however, that it will handle foreign exchange operations in the initial stage.

The regional bank will establish a board of directors and invite our own countrymen, compatriots from Hong Kong and Macao and overseas Chinese of note to participate in its operations.

9621

CSO: 4006/682

HONG KONG MEDIA ON CHINA

XIAMEN ESTABLISHES CHINA'S FIRST JOINT VENTURE BANK

Hong Kong TA KUNG PAO in Chinese 20 Jun 85 p 16

[Article: "Xiamen Sets Up First Joint Venture Bank in China"]

[Text] The agreement for setting up a joint venture bank by a Pan-Indonesian group and the Xiamen SEZ was signed yesterday.

The registered capital of the Xiamen International Bank is HK\$800 million. The actual amount of capital put into the venture during the initial period is HK\$420 million. Dividends will be paid to the Pan-Indonesian group in Hong Kong dollars.

According to the spokesman for the Pan-Indonesian group, the new bank, to be named the Xiamen International Bank, is to engage in general commercial and investment operations. It is the first joint venture bank set up under the new regulations governing banking operations in China.

Sixty percent of the bank's capital is owned by the Pan-Indonesian group, 15 percent by the Chinese Industrial and Commercial Bank, 15 percent by the Fujian Investment Enterprise Co and 10 percent by the Construction and Development Co of the Xiamen SEZ. There is no limit to the duration of cooperation.

The Pan-Indonesian group, which contributes 60 percent of the capital, is to use HK\$720 million in cash and its solely-owned subsidiaries, the Pan-Indonesian International Financial Co and the Macao International Bank with assets amounting to HK\$180 million, to pay for its share. The spokesman indicated that the above-mentioned companies will continue their present operations.

This investment will have to be approved by a special shareholders' meeting to be shortly convened by the Pan-Indonesian group. The spokesman pointed out that the investment is of great significance in view of China's need to improve financial operations in order to implement the four modernization projects and that the Pan-Indonesian group will do its best to bring to China the special knowhow for international banking operations. He added that, in the course of the next few decades, China

will offer great investment opportunities in the development of commercial and investment banking operations and that, with China's support, the Pan-Indonesian group will have unlimited opportunities to develop banking operations in China.

The Xiamen International Bank will have a 10-member board of directors. Five members each will be appointed by the Chinese and the Pan-Indonesian group. The chairman of the board of directors will be appointed by the Chinese. One deputy chairman each will be appointed by the Chinese and the Pan-Indonesian group. The bank will officially open for business within the year.

9621

CSO: 4006/714

HONG KONG ECONOMIC TRENDS

HONG KONG ECONOMY HEADING TOWARD STABILITY, PROSPERITY

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 4, 5 Apr 85 pp 35-36, 10

[Overseas newsletter by special correspondent Zhou Shan [5297 1472]: "Hong Kong's Economy is Heading Toward Stability and Prosperity"]

[Text] Hong Kong is world famous for its superior geographical surroundings. It is comprised of Hong Kong Island, Kowloon, the New Territories and the outlying islands. It is situated on the southeastern shore of Guangdong Province and east of the mouth of the Zhujiang River. Located at the center of the Asian and Pacific region, it has a subtropical maritime climate, the average year-round temperature is 22° C, warm and humid, the climate is pleasant. Hong Kong covers an area of 1,066 km², the population at the end of 1983 was 5,344,000 million people, and nearly 98 percent of the residents are Chinese compatriots. Because it is well situated geographically, the harbor is deep and wide with a maximum draught of 14.6 meters, it is one of the world's finest natural ice-free harbors. The harbor is well equipped and is fast in loading and low in operating cost, 63 sea-going ships enter and leave the port and 149 planes take off and land daily on the average, it is a place where various countries compete to develop their Far East trade. Since the Opium War, due to imperialist aggression and the corrupt and incompetent Chinese reactionary ruling class, our territory of Hong Kong was reduced to the status of a colony.

At the end of last year, in the spirit of friendly cooperation and mutual understanding, the Chinese and the British governments formally signed the Joint Declaration on the Question of Hong Kong which decided that our country will recover Hong Kong in 1997 and resume exercising its sovereignty. For the sake of the reunification of the motherland and the preservation of stability and prosperity in Hong Kong, our government's implementation of the set of national policy of "one country, two systems" is in keeping with the fundamental interests of the people of the whole country including compatriots in Hong Kong and Macao and will have a far-reaching impact internationally.

General Economic Situation and Characteristics

Hong Kong is a free-trade port, with the exception of tobacco, wines, methanol and certain other commodities requiring tax, most commodities are

permitted to enter tax free, and funds and foreign exchange also can be transferred freely. At present more than 150 countries and regions in the world are exporting commodities to Hong Kong. Hong Kong's economy has been developing quite fast since the 1960's. According to statistics, Hong Kong's total 1966-1983 output value, calculated according to the 1980 constant prices, showed an average annual growth of 8 percent, Hong Kong's total output value in 1983 amounted to HK\$205.4 billion ranking fourth in Asia. Hong Kong's economy is of a pluralistic light-duty structure having the following characteristics in general:

1. A Famous Trade Port in Asia. With a higher trade level and faster development, its position in capitalist world trade has become more important with each passing day. The total import and export and entrepot trade volume in Hong Kong in 1983 reached HK\$336.1 billion ranking 15th in the world (not including OPEC), average per-capita trade volume is higher than Europe and other industrially developed countries, such as the United States and Japan; it ranks 4th in the Asian and Pacific region, next only to Japan, Singapore and South Korea. Of the total volume of foreign trade, the export trade in the first 4 years of the 1980's showed an average annual growth of 16.9 percent, total exports in 1983 came to HK\$104.4 billion. Of the export commodities, clothing and textile goods were principal items accounting for 39.7 percent; electronic products, 17.8 percent; photographic materials and equipment, optical equipment and clocks and watches, 9 percent; plastic products, 7.7 percent; articles for tourism, hardware products, jewelry and household electrical appliances, 26 percent. Most of the exports are for the United States, Britain, West Germany, Japan, Canada, Australia, Singapore, the Netherlands, Switzerland and the interior of the motherland. The import trade in the first four years of the 1980's showed an average annual growth of 19.6 percent, total imports in 1983 were HK\$175.4 billion. The import products included industrial raw materials, semifinished products, consumer goods for daily use and production equipment in large quantities. Of these, light industrial products accounted for 20.9 percent; textile products, 18.9 percent; machinery and instruments, 17.7 percent; petrochemical and pharmaceutical products, 12.5 percent; grain and oil and foodstuffs, 10.7 percent; and hardware and mineral products, native and animal products and handicraft products, 19 percent. Computed on the basis of import volume, imports were mainly from the interior of the motherland, Japan, the United States, Taiwan Province, Singapore, Britain, South Korea, West Germany, Switzerland and Australia. Entrepot trade: the total volume of entrepot trade in 1983 was HK\$56.3 billion. The commodities in entrepot trade were mainly textile goods and readymade dresses, power-driven machinery, instruments, photographic materials and equipment, optical equipment and clocks and watches, nonmetallic mineral products, telecommunications, recording and stereo equipment. Entrepot commodities came mainly from 10 major producing areas in the following order: the interior of the motherland, Japan, the United States, Taiwan Province, South Korea, West Germany, Switzerland, Britain, Malaysia and Singapore.

2. Financial Center of Asia. By the end of 1983, there were 134 banks in all of Hong Kong, 349 registered companies accepting deposits and 115 offices

of foreign banks stationed in Hong Kong. It is not only a major stock market in the Asian and Pacific region but also one of the world's four largest gold markets (the other three are New York, London, and Zurich). The outstanding role of Hong Kong financial business is the absorption of overseas funds to provide abundant financial resources for developing Hong Kong's economy. Funds flowing into Hong Kong in the past came mainly from Southeast Asia, now they also come from Europe, Asia and the Middle East. By the end of 1983, the total amount of deposits in banks and financial corporations came to HK\$292.2 billion, of which about half were funds from overseas.

3. An Industrial Structure with Light and Textile Industries As the Key Link. Of Hong Kong's industrial production, heavy industry takes up a very small proportion. Light industry includes five trades and professions, such as dressmaking, textiles, electronics, photographic materials and equipment, optical equipment and clocks and watches. There were approximately 47,000 industrial enterprises in Hong Kong in 1983, most of them of smaller scale hiring about 10 workers in general. These industrial enterprises have the good quality of being quick to get started, flexible in switching over to other forms of production and strong in adaptability. These enterprises can grasp production, promote circulation, pay attention to economic information and can also gear their products in keeping with changes in demand in the international market and improve and update them in a timely manner.

4. The Thriving Construction Industry. At present, there are nearly 2,000 builders and more than 2,000 big and small trading companies handling building materials in Hong Kong. Based on population average in relation to area, Hong Kong is the region with the most builders at present compared with other places in the world. Total investment by the construction industry in Hong Kong in 1983 amounted to HK\$22.2 billion (not including the price of land).

5. Fast Developing Tourist Industry. In 1983, Hong Kong's revenue from tourism reached HK\$11.4 billion and the number of tourists visiting Hong Kong from 200 countries and regions on different occasions totaled 2.78 million. To cope with the demands of tourists, besides opening up new tourist spots and increasing recreational facilities, Hong Kong has also purchased large quantities of quality items from various countries for the tourists to shop selectively. Because Hong Kong is duty-free region and commodity prices are cheaper, it is attractive to tourist. According to surveys, of the tourists' expenses in Hong Kong, 60 percent is used for shopping and the other 40 percent is consumed for board and lodging and in recreation.

The Economic Situation Is Looking Up After the Signing of the "Declaration"

Since the Joint Declaration on the Question of Hong Kong between China and Britain was initialed, people of all circles in Hong Kong have responded enthusiastically. People have ease of mind and the economic situation is looking up. This is shown in:

1. Notable Increase of Foreign Capital Flowing into Hong Kong. Financial groups of the United States, Britain, France, Canada and other countries have moved enormous funds to the Hong Kong market in the form of 3- to 6-month time deposits and are preparing to invest some of these funds in the stock market. As a result of the increase in deposits, the value of the Hong Kong dollar has become relatively stable, providing Hong Kong banks considerably abundant intermediate and short-term funds, the preferential interest rates are being continually lowered by the banks and the stock market is becoming more active with each passing day.

2. Active Development of Investment Business by Foreign Businessmen. Many foreign corporations have invested in the industrial and commercial spheres, they are in the main: the Zhonghua Electronics Co, which in addition to investing in the building of a nuclear power station, is also prepared to put to use approximately HK\$4 billion for the construction of a giant grid system to transmit electricity to Hong Kong; Jardine, Matheson Ltd recently reorganized its investment institution to further its operations; the Nippon Electric Co and West Germany's Agfa Co at the end of November last year set up capital-affiliated companies in Hong Kong, in charge of the operations of their respective parent companies in Southeast Asia and China; the BASF Artengesellschaft, West Germany, spent more than HK\$20 million in buying warehouses and setting up, dye color-matching laboratory. In addition, 20 or 30 foreign companies are preparing to set up factories in Hong Kong in 1 or 2 years and 400 to 500 foreign business firms have asked Hong Kong for pertinent information about investment.

3. Real Estate Transactions Taking a Turn for the Better. The price of real estate has bounced back somewhat, with the suburban districts rising by more than 10 percent in general and the city limit by 7 percent in general. Medium and small houses and buildings are selling quite well; the sales of large houses and buildings have begun to rise. According to the statistics of the real estate and land department of the British authorities in Hong Kong, about 8,512 real estate property buying and selling contracts were newly signed during the 4th quarter of last year, an increase of 66.1 percent over the same period of the year before; there were 98 land transactions, a rise of 5.4 percent. Some real estate companies have also announced their important investment plans.

4. Strong Interests in Developing Markets in Hinterland. In November last year, our open cities jointly sponsored an investment symposium in Hong Kong for the first time and achieved notable success. Participating in talks were entrepreneurs from Japan, the United States, West Germany, Britain, France, Canada, Australia, Sweden, Italy, Singapore, the Philippines, Thailand, the Netherlands, Switzerland, Denmark, Austria, Malaysia, Finland, New Zealand, Norway and Indonesia, but most people were from the Hong Kong and Macao regions. The investors from various places expressed general interest in the 207 projects formally put forth by the 19 open cities and SEZ's. The talks went on smoothly. According to statistics, a total of 441 items were signed (including initialing of contracts, agreements and letters of intent) with a total investment of \$5 billion. Investors from various places, profoundly

attracted by the symposium, were willing to invest and build factories in China to do business. This also reflected their strong confidence in Hong Kong's future.

The Hong Kong region is maintaining close economic contacts with various places over the world with developed means of communications and quick information. The official signing of the Sino-British joint "Declaration" has created excellent conditions for strengthening economic cooperation between the hinterland and Hong Kong. We must give full play to Hong Kong's role as a bridge in Chinese and foreign economic cooperation. Hong Kong is a society of Chinese having the advantages of opportunities, favorable geographical position and unity and coordination within our own ranks, The SEZ's, the coastal open cities and the economic development zones in particular can accelerate the progress of our country's modernization drive by actively utilizing foreign capital, importing advanced technology, equipment and the methods of management and operations from abroad through the office of the Bank of China Group in Hong Kong and other channels and also by gathering international economic information and inviting some foreign experts. Our hinterland has abundant resources, so long as we concentrate on in-depth processing in line with international market demand and bring forth quality commodities, continually, not only we can gradually take over the Hong Kong market and satisfy the needs for production and construction and the daily consumption of the residents of whole Hong Kong, but also make our way further into the international market to promote stability and prosperity in Hong Kong.

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CSO: 4006/699

HONG KONG ECONOMIC TRENDS

NINETY PERCENT OF 50 LEADING WORLD BANKS OPERATE IN HONG KONG

Hong Kong TA KUNG PAO in Chinese 3 Jun 85 p 13

[Article: "Ninety Percent of the 50 Largest Banks in the World Operate in Hong Kong"]

[Text] Sir John Bremridge, financial secretary, revealed last evening that 44 of the 50 largest banks in the world have operations in Hong Kong, making it the third largest financial center in the world. He further revealed that while the Hong Kong Government has no intention of establishing a central bank, it will adopt the necessary measures and legislation to supervise banking operations so that they may conform with the existing circumstances in Hong Kong and its overall future policy.

The above statements were made by Bremridge at an international financial conference dinner last evening, at which time he also expressed the view that the expansion of protectionism would be greatly prejudicial to world trade and doubly unfair to Hong Kong. He pointed out that Hong Kong imposes no restrictions on imports while rendering financial services to all areas throughout the world.

"There is, therefore, no reason," he said, "to apply the principle of protectionism to Hong Kong."

On the subject of banking operations, Bremridge said that for a foreign bank to obtain a permit to operate in Hong Kong, the most important thing it has to do is show that its total assets do not fall below \$12 billion after its liabilities have been deducted from its net worth.

He stated that the decision of the Hong Kong Government to reduce interference to the minimum is one of the many factors which have attracted the large number of international banks to operate in Hong Kong.

"In our financial operations," he said, "we only insist that our overall financial policy should have a sound basis, that commercial operations should be sound and that proper measures should be adopted for the protection of depositors and investors. Trite as that may sound, it is of great significance. Like sensible people, we learn from our mistakes."

He indicated that if changes should be made in its supervisory measures, whether or not they have anything to do with the law, the Hong Kong Government would hold prior consultations with the concerned parties before they are adopted.

"There will be no surprises," he said. "Nothing is more unsettling than sudden crackdowns and changes."

"The people of Hong Kong," he added, "take pride in what they have achieved, even though such achievements may not be entirely the result of our own efforts. We must not overlook the benefits derived from our close commercial relations with China and the obvious fact that Hong Kong is the gateway to the Chinese mainland."

While discoursing on certain economic statistics in Hong Kong, Bremridge stated that the Hong Kong dollar, after it had been successfully pegged to the U.S. dollar in October 1983, has become one of the strongest currencies in the world.

At last evening's banquet, Sir John Youde, governor of Hong Kong, also stated that Hong Kong welcomes international enterprises to the colony, that these enterprises would have no difficulty in familiarizing themselves with Hong Kong's financial, commercial and legal systems and that they would find Hong Kong's wide open and competitive environment both stimulating and profitable.

"The economic system in Hong Kong," he said, "is one which relies most heavily on foreign trade. Its prosperity is intimately tied to economic developments in the world in general and in the Asian and Pacific region in particular." "We attach great importance," he added, "to our financial position in the world and to our trade relations which have played such an important role in bringing prosperity to Hong Kong. We shall do our utmost to strengthen such relations."

"The economy of Hong Kong," he went on, "is one of the most open in the world. We are not afraid of fair competition."

Youde expressed the opinion that the selection of Hong Kong as the venue for the conference was most timely and proper.

"It was last Monday," he said, "that the Chinese and British governments exchanged in Beijing the instruments of ratification of the joint statement regarding the future of Hong Kong. According to the Chinese-British agreement, Hong Kong is to retain its position as an international financial center as well as its financial and economic systems for 50 years after 1997."

"That that was specifically stated in the agreement," he pointed out, "testifies to the importance of Hong Kong as a financial center."

He continued: "Hong Kong happens to be the right place for the conference because the venue you have selected is the number 3 international financial center in the world. Hong Kong has over 300 banks of all types. Very few of the largest banks in the world have not established branches in Hong Kong which is not only an international banking center but also a major center for financial management. The long list of advanced financial services offered by Hong Kong is something of which it can be proud."

"In recent years," he stated, "the Asian and Pacific region has become one marked by economic growth. A new factor which is responsible for this growth is the modernization policy adopted by China. There is not a shadow of a doubt that this policy will lead to the future growth of China."

"I feel certain," Youde said by way of conclusion, "that while this important conference is in progress, you will become aware of the potential of Hong Kong as a base for trade with the most populous nation in the world."

Youde also said that it was his understanding that the conference would discuss international financial matters as well as the development of the capital market, that such matters were of great importance to Hong Kong and that the studies made by the conference would enable the financial circles in Hong Kong to acquaint themselves with the newest ideas.

9621

CSO: 4006/681

HONG KONG ECONOMIC TRENDS

CLOSEDOWN OF OVERSEAS TRUST BANK ORDERED

Hong Kong WEN WEI PO in Chinese 7 Jun 85 p 1

[Article: Overseas Trust Bank Closedown Ordered; Four Persons Including Acting Board Chairman Taken to Police Station; Executive Council Meets Today to Discuss Bank's Future, Announcement Expected in the Afternoon; Financial Department Notes Bank's Mismanagement and Serious Problems Involved"]

[Text] The financial department last night ordered the Overseas Trust Bank to close down after its board of directors indicated to the Hong Kong Government its inability to pay back its debts. The stock supervisory commissioner has also asked that buying and selling of the company's stock be stopped effective today. In the meantime, the financial department indicated that the Hong Kong Government began strict examination of the bank's accounts 2 months ago. It is believed that the bank's predicament at this time was not caused by careless management or adversity but involved serious problems. The commercial criminal investigation division is now conducting an investigation.

Senior officials of the Hong Kong Government and staff members of the Overseas Trust Bank held emergency meetings separately about the time the statement was issued by the finance department. By last night, further progress was made in this matter as personnel of the commercial criminal investigation division took action in Hong Kong and Kowloon. Three men and one woman were arrested, one being a man of Malaysian nationality carrying a large sum of cash and securities arrested at the airport while attempting to leave Hong Kong. The police later allowed the other three persons to be taken to the general office of the Overseas Trust Bank to take part in a meeting being held there. The place was guarded by many policemen and the atmosphere was tense. After the meeting ended, the trio was led away one by one while many policemen remained in the general office. At 0215 hours today, the police again brought a man in a hood from the general office of the Overseas Trust Bank back to the commercial criminal investigation division headquarters together with a case of documents and other evidence. At 0300 hours today, four people were again brought to the central police headquarters.

Following the statement issued by the finance department, branches of the Overseas Trust Bank in London, Bahrain, and others ceased operations one after another.

The Executive Council will hold a meeting this afternoon to discuss the future of the bank and measures to be taken to protect the depositors, especially small depositors. A further announcement will be made this afternoon. The finance department stressed that the Hong Kong Government will uphold its policy of protecting the Hong Kong dollar exchange rate and the stability and reputation of the banking system.

The finance department noted in its statement issued last night: "The board of directors of the Overseas Trust Banking Corp Ltd notified the bank supervisory commissioner this afternoon that the bank could not carry on as a result of its inability to pay back the debts, after the bank supervisory commissioner discussed the matter with the parties concerned, he immediately took action by dint of the controlling power conferred in reference to Clause (1) of Article 13 of the banking regulations and directed the bank and its board of directors to stop its head office and other branches in Hong Kong and all overseas offices from engaging in any business operations until further notice. That bank and all its branches therefore decided that they will be closed tomorrow (Friday) and Saturday."

The finance department also indicated: "This development was the result of the close examination of the accounts of the Overseas Trust Bank in the past 2 months by a team of personnel dispatched by the bank supervisory commission. In compliance with the demands of the bank supervisory commissioner, beginning Monday, a commercial banker will be responsible for submitting proposals for the board of directors. He also will hold lengthy consultation with the bank's administrative staff and directors."

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HONG KONG ECONOMIC TRENDS

HONG KONG GOVERNMENT TAKES OVER OVERSEAS TRUST BANK

Hong Kong WEN WEI PO in Chinese 8 Jun 85 p 1

[Article: "Hong Kong Government Takes Over Overseas Trust Bank by Adopting Heng Long Bank Formula; Fund of 2 Billion Dollars Allocated in Support, Business Resumes Monday; Council Members Hope for Strong Supervision and Control Against Recurrence of Similar Incidents"]

[Text] The Overseas Trust Bank incident was finally solved. The Hong Kong Government yesterday took over the Overseas Trust Bank by adopting the "Heng Long Bank" formula. That bank will resume operations next week. According to the estimates of the finance department, the Hong Kong Government will allocate HK\$2 billion from the foreign exchange funds in support of this takeover action. However, unofficial members of the Legislative Council hoped that similar incidents will not recur from now on and that the Hong Kong Government will strengthen supervision and control over financial circles.

The Executive Council met at 1430 hours yesterday to discuss measures of handling the Overseas Trust Bank. After nearly 3 hours of meeting, the authorities decided to take over the bank in question. Immediately after that, a special session of the Legislative Council was held and a proposed takeover bill was passed after the third reading. This is another financially troubled bank that the Hong Kong Government has had to step in to take over after taking over the Heng Long Bank 20 months ago.

Mr Peng [1756] said in putting forward a motion for this proposed bill that this incident came to light after investigators of the fourth division of the bank supervisory commission carefully examined that bank's accounts in the past 2 months and after an emergency study by a commercial banker. At the same time, the authorities had also held counsel with the bank's administrative staff and board of directors for a long period of time. The investigation showed that the bank's reserve for bad accounts had reached a magnitude almost completely wiping out the bank's capital. He said the financial difficulties that appeared in the Overseas Trust Bank was not caused by its carelessness or by adversity. He suspected that this incident involved criminal responsibility and said that the Hong Kong Government would conduct a comprehensive investigation of the bank's structure. The authorities have finally chosen this method of taking over in order to protect the interests of the depositors and creditors, ensure the normal operations of Hong Kong as

an international financial center and safeguard the people's confidence in Hong Kong dollars. He stated that if the method of liquidation is used, the creditors can at the most recover 70 percent of the sum they asked for in compensation and all the stockholders will lose everything, an amount he estimated to be about HK\$1.6 billion.

Mr Peng indicated that since the conditions of the bank have not yet been thoroughly investigated, there is still no way to accurately calculate how much money should be allocated from the foreign exchange reserve funds to quiet down this disturbance. He said that the Overseas Trust Bank is much bigger in scale than the Heng Long Bank, if action were taken earlier, the cost of ultimately drawing on public funds could have been reduced to the minimum. Later in reply to questions raised by Legislative Council members, Mr Peng estimated that HK\$2 billion may have to be allocated, but that the burden may be less if the fund is properly managed. This fund will be allocated from the profit of the foreign exchange fund reserve without affecting the financial reserve of the fund.

12662

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HONG KONG ECONOMIC TRENDS

HONG KONG BANKING CORPORATION TAKES OVER INDUSTRIAL AND COMMERCIAL BANK

Hong Kong TA KUNG PAO in Chinese 12 Jun 85 p 5

[Article: "The Hong Kong and Shanghai Banking Corp Replaces Senior Staff of Industrial and Commercial Bank Yesterday; Huo Liyi Refutes a Rumor Yesterday by Saying that the Bank Has No Trouble in Funds Circulation"]

[Text] The Hong Kong Industrial and Commercial Bank was officially taken over by the Hong Kong Government yesterday. The authorities have designated the board of directors to the Overseas Trust Bank to act concurrently as the board of directors for the Industrial and Commercial Bank. Senior administrative staff members of the Industrial and Commercial Bank have also been replaced by personnel dispatched by the Hong Kong and Shanghai Banking Corp.

The new board of directors of the Industrial and Commercial Bank is now studying the bank's operations. Duan Na [4551 4780], vice chairman of the board of directors of both the Overseas Trust Bank and the Industrial and Commercial Bank said that operations of the bank were normal. Buying and selling of the bank's shares will cease indefinitely.

It is learned that the Industrial and Commercial Bank has a total of 22 branches and the deposits as of June last year amounted to HK\$2.2 billion. It is also reported that commenting on the current situation of the Overseas Trust Bank incident yesterday, Finance Commissioner Peng Lizhi [1756 0536 3112] said that the situation was normal as a whole and satisfactory and that the bank had tided over the obstacles. He expected everything would return to normal.

Commenting yesterday on the rumors circulating in the market detrimental to financial circles, Bank Supervisory Commissioner Huo Liyi [7202 4409 5030] said, no bank in Hong Kong is having a problem similar to that of the Overseas Trust Bank at present and also there is no bank experiencing difficulties in circulating funds.

He said that after taking over the Industrial and Commercial Bank, the new board of directors expressed satisfaction about the bank's operations, therefore, he emphasized, all such rumors are groundless.